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# Transcript of Clifford E. Stoops, II

**Date:** April 27, 2021

**Case:** UBS Securities LLC, et al. -v- Highland Capital Management, L.P.

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## Transcript of Clifford E. Stoops, II

1 (1 to 4)

Conducted on April 27, 2021

|    |   |    |  |
|----|---|----|--|
| 1  | IN THE UNITED STATES BANKRUPTCY COURT               | 1  | A P P E A R A N C E S                            |
| 2  | FOR THE NORTHERN DISTRICT OF TEXAS                  | 2  | ON BEHALF OF PLAINTIFFS UBS SECURITIES LLC       |
| 3  | DALLAS DIVISION                                     | 3  | AND UBS AG LONDON BRANCH:                        |
| 4  | -----x  | 4  | SHANNON E. MC LAUGHLIN, ESQ.                     |
| 5  | In re : Chapter 11                                  | 5  | LATHAM & WATKINS LLP                             |
| 6  | HIGHLAND CAPITAL : Case No. 19-34054-SGJ11          | 6  | 885 Third Avenue                                 |
| 7  | MANAGEMENT, L.P., :                                 | 7  | New York, New York 10022-4834                    |
| 8  | Debtor. :   | 8  | 212.906.1200                                     |
| 9  | -----x  | 9  |  |
| 10 | UBS SECURITIES LLC AND : Adversary Proceeding       | 10 | ANDREW CLUBOK, ESQ.                              |
| 11 | UBS AG LONDON BRANCH : No. 21-03020-SGJ             | 11 | SARAH TOMKOWIAK, ESQ.                            |
| 12 | Plaintiffs, :                                       | 12 | LATHAM & WATKINS LLP                             |
| 13 | v. :  | 13 | 555 Eleventh Street, NW                          |
| 14 | HIGHLAND CAPITAL :                                  | 14 | Suite 1000                                       |
| 15 | MANAGEMENT, L.P., :                                 | 15 | Washington, D.C. 20004-1304                      |
| 16 | Defendant. :  | 16 | 202.637.2200                                     |
| 17 | -----x  | 17 |  |
| 18 | VIDEOTAPED DEPOSITION OF CLIFFORD E. STOOPS, II     | 18 | ON BEHALF OF DEFENDANT                           |
| 19 | Conducted Virtually                                 | 19 | HIGHLAND CAPITAL MANAGEMENT, L.P.:               |
| 20 | Tuesday, April 27, 2021                             | 20 | ROBERT J. FEINSTEIN, ESQ.                        |
| 21 | 10:14 a.m. EDT                                      | 21 | GREGORY V. DEMO, ESQ.                            |
| 22 | Job No.: 368733                                     | 22 | PACHULSKI STANG ZIEHL & JONES LLP                |
| 23 | Pages: 1 - 83                                       | 23 | 780 Third Avenue, 34th Floor                     |
| 24 | Reported by: Monique Vouthouris, CCR, RPR, CRR      | 24 | New York, New York 10017-2024                    |
| 25 |   | 25 | 212.561.7700                                     |
| 2  |   | 4  |  |
| 1  |   | 1  | A P P E A R A N C E S C O N T I N U E D          |
| 2  |   | 2  | ON BEHALF OF THE WITNESS CLIFFORD E. STOOPS, II: |
| 3  |   | 3  | ROBERT M. THORNTON, ESQ.                         |
| 4  |   | 4  | KILGORE & KILGORE PLLC                           |
| 5  |   | 5  | 3109 Carlisle Street                             |
| 6  | REMOTE VIDEOTAPED deposition of CLIFFORD E.         | 6  | Dallas, Texas 75204                              |
| 7  | STOOPS, II, pursuant to subpoena, before Monique    | 7  | 214.969.9099                                     |
| 8  | Vouthouris, CCR, RPR, CRR, Notary Public in and for | 8  |  |
| 9  | the States of New Jersey and New York.              | 9  |  |
| 10 |   | 10 | ALSO PRESENT:                                    |
| 11 | Witness Location:                                   | 11 | CHESTER WONG, Planet Depos Videographer          |
| 12 | Dallas, Texas                                       | 12 | SARAH LOILER, Planet Depos Technician            |
| 13 |   | 13 |  |
| 14 |   | 14 |  |
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| 24 |   | 24 |  |
| 25 |   | 25 |  |

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| C O N T E N T S |  | PAGE |    |
|-----------------|--|------|----|
| 2               | EXAMINATION OF CLIFFORD E. STOOPS, II                            |      |    |
| 3               | By Ms. McLaughlin  | 8    |    |
| 4               |  |      |    |
| 5               |  |      |    |
| 6               |  |      |    |
| 7               | E X H I B I T S  |      |    |
| 8               | (Attached to transcript.)  |      |    |
| 9               | DEPOSITION EXHIBITS  | PAGE |    |
| 10              | Exhibit 1 Email October 26, 2017 from Isaac                      |      | 22 |
| 11              | Leventon to Chris Dunn with attachment.                          |      |    |
| 13              | Exhibit 2 Purchase Agreement August 7, 2017.                     |      | 27 |
| 15              | Exhibit 3 Email chain September 12, 2018, with attachment.       |      | 38 |
| 17              | Exhibit 4 Email chain August 11, 2017, HCMUBS000563 and 564.     |      | 42 |
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| 21              | Exhibit 6 Email chain August 11, 2017, HCMUBS000642 through 644. | 71   |    |
| 23              | Exhibit 7 Email chain December 1, 2017.                          | 76   |    |
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| 25              |  |      |    |

5

1 access them on breaks. But if Mr. Thornton is in the  
 2 breakout room, that's why he's -- the audio is coming  
 3 from Mr. Thornton's end. That's why the witness can't  
 4 hear us.

7

5 MR. CLUBOK: Yeah, I did the same thing by  
 6 mistake, too, but I came back. Someone needs to tell  
 7 Bob probably he needs to leave the breakout room and  
 8 return to -- uh-oh, we lost --

9 THE TECHNICIAN: It's because he joined as  
 10 well.

11 MR. CLUBOK: Okay. Can someone join and  
 12 tell them they need to just click on "leave the  
 13 breakout room" and come back to the meeting.

14 THE COURT REPORTER: Let's go off the  
 15 record.

16 THE VIDEOGRAPHER: Sure. We are going off  
 17 the record. The time is 10:15 a.m.

18 (Recess 10:15 a.m. - 10:17 a.m.)

19 THE VIDEOGRAPHER: All right. Would all  
 20 parties present in this videoconference please voice  
 21 identify themselves and state whom they represent.

22 MS. McLAUGHLIN: My name is Shannon  
 23 McLaughlin, I'm with Latham & Watkins LLP, and I'm  
 24 here today with Sarah Tomkowiak and Andrew Clubok. We  
 25 represent UBS Securities and UBS AG London Branch.

6

1 P R O C E E D I N G S

8

3 THE VIDEOGRAPHER: Here begins Media Number  
 4 1 of the remote videotaped deposition of Clifford  
 5 Stoops in the matter of UBS Securities, LLC, et al.  
 6 versus Highland Capital Management, L.P., in the  
 7 United States Bankruptcy Court for the Northern  
 8 District of Texas, Dallas Division, Case Number  
 9 19-34054-SGJ11.

10 Today's date is 27th of April 2021. The  
 11 time on the video monitor is 10:14 a.m. The  
 12 videographer for today is Chester Wong, on behalf of  
 13 Planet Depos. All participants of this video  
 14 deposition are attending remotely.

15 Would all parties present in this  
 16 videoconference please voice identify themselves and  
 17 state whom they represent.

18 MS. McLAUGHLIN: My name is Shannon  
 19 McLaughlin, I represent UBS Securities and UBS AG  
 20 London Branch, and I'm joined today by Sarah Tomkowiak  
 21 and --

22 THE TECHNICIAN: I'm sorry to interrupt. I  
 23 think the witness is having a problem hearing us. I  
 24 believe the problem is that Mr. Thornton joined the  
 25 breakout room. They were opened so that people can

1 MR. FEINSTEIN: My name is Robert Feinstein,  
 2 Pachulski Stang Ziehl & Jones, LLP. We are counsel  
 3 for the Debtor and the Defendant in this adversary,  
 4 Highland Capital Management, L.P., and with me is my  
 5 colleague Gregory Demo.

6 MR. THORNTON: And I'm Robert Thornton.  
 7 I'll be here as a representative of the witness,  
 8 Clifford Stoops.

9 THE VIDEOGRAPHER: All right. The court  
 10 reporter today is Monique Vouthouris on behalf of  
 11 Planet Depos. Would the reporter please swear in the  
 12 witness.

13 CLIFFORD E. STOOPS, II  
 14 being first duly sworn or affirmed by the Notary,  
 15 testifies as follows:

16 EXAMINATION

17 BY MS. McLAUGHLIN:

18 Q Good morning, Mr. Stoops. Can you still  
 19 hear me okay?

20 A Yes.

21 Q Perfect. Now, prior to today you and I have  
 22 never spoken. Is that right?

23 A Correct.

24 Q And while we're doing this virtually, I'm  
 25 going to do my best to speak loudly, but please let me

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|   |    |   |    |
|---|----|---|----|
|   | 9  |   | 11 |
| 1 know if at any point you can't hear me.                 |    | 1 Q At the time that you were employed at                 |    |
| 2 Are you aware of anything today that would              |    | 2 Highland, were you also -- did you also have            |    |
| 3 prevent you from testifying competently and             |    | 3 responsibilities with Highland CDO Opportunity Master   |    |
| 4 truthfully?   |    | 4 Fund LP?  |    |
| 5 A No.   |    | 5 A Yes.  |    |
| 6 Q We're going to start with some brief                  |    | 6 Q And you also had responsibilities with                |    |
| 7 background about your employment history. Is it         |    | 7 NexPoint Real Estate Strategies Fund. Is that           |    |
| 8 correct that you began working at Highland Financial    |    | 8 correct?  |    |
| 9 Partners, L.P. in 2006?                                 |    | 9 A Yes.  |    |
| 10 A Technically it was Highland Capital                  |    | 10 Q Did you receive separate compensation for            |    |
| 11 Management working on Highland Financial Partners.     |    | 11 your role with these various entities?                 |    |
| 12 Q Thank you.   |    | 12 A No.  |    |
| 13 A So not an employee of Highland Financial             |    | 13 Q So your checks issued only from Highland             |    |
| 14 Partners, but that was the fund and fund complex I was |    | 14 Capital?   |    |
| 15 working on as an employee of Highland Capital          |    | 15 A Yes.   |    |
| 16 Management. But the date is correct.                   |    | 16 Q If one of Highland's affiliated or managed           |    |
| 17 Q Thank you. I appreciate that. Your work              |    | 17 funds had paid you directly, would you have considered |    |
| 18 with Highland Financial Partners, did that also        |    | 18 that to be unusual?                                    |    |
| 19 involve work with Highland Financial Partners          |    | 19 A Yes.   |    |
| 20 subsidiaries, such as Highland Special Opportunities   |    | 20 Q Since leaving Highland in April 2020, you've         |    |
| 21 Holding Company, Highland CDO Holding Company and      |    | 21 worked at a publicly traded company. Is that right?    |    |
| 22 Highland Financial Corp.?                              |    | 22 A Yes.   |    |
| 23 A Yes.   |    | 23 Q And your present employer is not managed by          |    |
| 24 Q In 2012 is it correct that you moved to              |    | 24 Highland Capital. Is that true?                        |    |
| 25 Highland Capital Management, L.P. in a more general    |    | 25 A No, it is not. Yes, it's true.                       |    |
|   | 10 |   | 12 |
| 1 sense?  |    | 1 Q Excellent. Thank you. Your present                    |    |
| 2 A Technically it was 2009, but in 2012 I                |    | 2 employer is not owned or controlled by Mr. Dondero?     |    |
| 3 received a title change around that move.               |    | 3 A No.   |    |
| 4 Q And did your title become chief accounting            |    | 4 Q Your present employer is also not owned or            |    |
| 5 officer?  |    | 5 controlled by Mr. Ellington?                            |    |
| 6 A Yes.  |    | 6 A No.   |    |
| 7 Q While you were at Highland Capital, you also          |    | 7 Q And since leaving Highland Capital in April           |    |
| 8 had responsibilities with other funds that were         |    | 8 2020, you haven't had any communications with           |    |
| 9 managed by Highland. Is that true?                      |    | 9 Mr. Dondero or Mr. Ellington. Is that correct?          |    |
| 10 A Yes.   |    | 10 A Correct. I have not had any communications           |    |
| 11 Q Those responsibilities included with                 |    | 11 with either.   |    |
| 12 Highland Financial Partners and its subsidiaries?      |    | 12 Q We'll talk a little bit about Sentinel               |    |
| 13 A Yes.   |    | 13 Reinsurance Limited now. Are you familiar with an      |    |
| 14 Q And did you keep those responsibilities with         |    | 14 entity called Sentinel Reinsurance Limited?            |    |
| 15 Highland Financial until the time you left Highland in |    | 15 A Roughly.   |    |
| 16 April 2020?  |    | 16 Q When did you --                                      |    |
| 17 A Yes.   |    | 17 A On a limited basis.                                  |    |
| 18 Q While an employee of Highland, were you also         |    | 18 Q When did you get this limited understanding          |    |
| 19 involved with the Highland institutional funds as      |    | 19 of Sentinel?   |    |
| 20 their head of accounting -- fund accounting? Excuse    |    | 20 A Generally I recall it being somewhere                |    |
| 21 me.  |    | 21 around, my first introduction to it being around       |    |
| 22 A And by "institutional," for clarification,           |    | 22 August of 2017.  |    |
| 23 you're asking about the hedge funds, so to speak?      |    | 23 Q When -- in August of 2017, what did you              |    |
| 24 Q Um-hmm, yes.   |    | 24 learn about Sentinel that caused you to become aware   |    |
| 25 A Yes, yes, that's correct.                            |    | 25 of it?   |    |

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|  | 13 |   | 15 |
| 1     A I was informed that Sentinel would be a<br>2 party to a transaction involving a legal insurance<br>3 policy and they would be the insurance provider for<br>4 this policy that was to be issued to Highland<br>5 Financial Partners and its subsidiaries and to CDO<br>6 Fund and its subsidiaries relating to an outstanding<br>7 legal matter.   |    | 1 are you referring to a litigation that UBS initiated<br>2 against Highland and some of its affiliated funds in<br>3 the New York State courts?  |    |
| 8     Q And who did this conversation happen with?<br>9 Who informed you of this?  |    | 4     A I'm not sure of the venue being New York,<br>5 but, yes, generally yes to everything else.  |    |
| 10    A I was informed by JP Sevilla and also<br>11 present was, I recall to some degree, Rick Swadley was<br>12 also present.   |    | 6     Q Do you recall that litigation starting in<br>7 approximately 2009?  |    |
| 13    Q And how did this conversation come about?  |    | 8     A Yes. Yes.   |    |
| 14    A I don't recall the specifics, meaning I<br>15 don't think it was like a scheduled meeting. I think<br>16 it was an ad hoc meeting that occurred at some point<br>17 during the day in which JP came up and asked to speak<br>18 with me, and to some degree Rick got incorporated into<br>19 the conversation. And it occurred in a conference<br>20 room just off of where my groups operated.                  |    | 9     Q And in August 2017 in your conversation with<br>10 Mr. Sevilla, is this the first time you had heard<br>11 about a legal liability insurance policy being brought<br>12 up?   |    |
| 21    Q And so it was Mr. Sevilla that initiated the<br>22 conversation --   |    | 13    A Yes. To my recollection. If there are any<br>14 documents indicating otherwise, I'd love to see them.<br>15 But, yes, to my recollection, that was the first time<br>16 I had ever heard of it.   |    |
| 23    A Yes.   |    | 17    Q Okay. And do you remember what<br>18 Mr. Sevilla's role was in 2017?  |    |
| 24    Q Do you remember about how long this meeting<br>25 took place for?  |    | 19    A Like formal -- like formal title, lawyer,<br>20 legal counsel. He might have been assistant general<br>21 counsel, AGC, something along those lines. But sort<br>22 of to break that down, he was an, you know, an active<br>23 lawyer, in-house legal counsel for Highland Capital.  |    |
|  | 14 | 24    Q And what about -- I think you had mentioned<br>25 Rick Swadley. Does that (inaudible) --  |    |
| 1     A I thought it was around -- I recall it being<br>2 somewhere around like two hours. Several hours.  |    |   | 16 |
| 3     Q Several hours?   |    | 1     A Rick Swadley's role was I think director of<br>2 tax, tax compliance.   |    |
| 4     A Yes.   |    | 3     Q And during this conversation you mentioned<br>4 that they were discussing something with urgency or a<br>5 finality about it. Did you understand -- or what did<br>6 you understand to be the final piece or what was the<br>7 finality?  |    |
| 5     Q During that conversation what did<br>6 Mr. Sevilla inform you of?  |    | 8     A Well, it was the -- the -- ultimately, it<br>9 would be the execution of that -- whatever legal<br>10 agreement, the settlement. I'll just -- for lack of a<br>11 better phrase or specificity here, let's assume it was<br>12 a settlement discussion. That was the end goal as<br>13 explained to me. And so the sense of urgency around<br>14 it was it was a large number and the two funds had<br>15 extremely illiquid assets that, you know, maybe for<br>16 whatever reason UBS wasn't interested in those, it<br>17 wanted cash on the barrel. |    |
| 7     A That in the matter relating to Highland<br>8 Financial Partners and CDO Fund and UBS, that we<br>9 collectively, meaning the Highland side, were nearing<br>10 an agreement or legal resolution that would involve a<br>11 large monetary payment in settlement for that legal<br>12 resolution. And I don't recall specifically if it was<br>13 a judgment or if it was a settlement or some<br>14 combination. |    | 18    So to get the cash needed to get UBS to<br>19 sign, we had to translate those assets, you know,<br>20 somehow, for lack of a better -- translate those<br>21 assets into a cash equivalent that met the<br>22 expectations of UBS. And so the urgency was around<br>23 how do you do that. And that's what -- when it was<br>24 explained to us the need for the insurance policy,<br>25 that the insurance company would receive these assets  |    |
| 15    But I just recall specifically it was an air<br>16 -- had an air of finality to it, that it would bring<br>17 to close all of the outstanding legal matters and it<br>18 was a large -- a large number. And to effect that, we<br>19 would have to basically use the assets in both HFP and<br>20 its subsidiaries and the CDO Fund and its subsidiaries<br>21 to effectively pay for that insurance policy.       |    |   |    |
| 22    Q All right. There's a lot there, so we're<br>23 going to break it down into smaller pieces.   |    |   |    |
| 24    A Sure.  |    |   |    |
| 25    Q The legal action that you're talking about,  |    |   |    |

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|  |   |
|--|---|
| <p>1 and in return would issue this insurance policy<br/>     2 against which it agreed to pay any sort of final<br/>     3 settlement agreement, you know, presumably in cash,<br/>     4 directly to UBS.</p> <p>5 And so the urgency was around, you know,<br/>     6 effecting the transfer of the assets to the insurance<br/>     7 company so they had them in hand and were willing to<br/>     8 issue the insurance policy for UBS to get comfortable<br/>     9 with it.</p> <p>10 Q There's a lot there again, so we're going<br/>     11 to --</p> <p>12 A Sure.</p> <p>13 Q -- try to get some of the smaller pieces.</p> <p>14 You've mentioned that there were -- there<br/>     15 were going to be some asset transfers. Is that<br/>     16 correct?</p> <p>17 A Yes.</p> <p>18 Q Why would Mr. Sevilla have approached you<br/>     19 about asset transfers?</p> <p>20 A In my position I was responsible for the<br/>     21 accounting, you know, the books and records, plus the<br/>     22 operations. And so given the sort of mixed bag of<br/>     23 assets, the transfer of the assets wouldn't be as<br/>     24 straightforward as, you know, one might presume, and<br/>     25 it would have been up to my team, my groups to sort of</p> <p>18</p> <p>1 effect those transfers in their different capacities<br/>     2 or in their different, you know -- in their different<br/>     3 states in which they existed, you know, whether it be<br/>     4 an LP interest or cash or DTC-held securities, et<br/>     5 cetera.</p> <p>6 Q You mentioned that you were responsible for<br/>     7 accounting. Which entity were you responsible for the<br/>     8 accounting of?</p> <p>9 A So if you look at Highland as a whole, you<br/>     10 could separate it between two different groups. You<br/>     11 have Highland and related advisors, what we sort of<br/>     12 loosely called the management company. And then you<br/>     13 have the investment vehicles. Those are the vehicles<br/>     14 in which investors put their money and the assets are<br/>     15 managed.</p> <p>16 I generally was responsible for the books<br/>     17 and records for most but not all of the investment<br/>     18 vehicles managed by Highland and several of its<br/>     19 advisors. I was not responsible for the accounting<br/>     20 for Highland as a management company, nor the<br/>     21 operations of Highland as a management company.</p> <p>22 Q And in August 2017 when Mr. Sevilla<br/>     23 approached you, he was coming to you because you had<br/>     24 responsibility for the accounting of Highland<br/>     25 Financial Partners and its subsidiaries. Is that</p> | <p>17</p> <p>1 correct?</p> <p>2 A Yes.</p> <p>3 Q And Mr. Sevilla began talking about this<br/>     4 transfer. What -- what assets did he want you to<br/>     5 transfer?</p> <p>6 A All of them, all of them in HFP and all of<br/>     7 them in CDO Fund.</p> <p>8 Q Did he also want you to transfer any assets<br/>     9 from Highland CDO Opportunity Master Fund?</p> <p>10 A When I say CDO Fund, that's generally what<br/>     11 I'm referencing. CDO Fund complex had -- again, I<br/>     12 acknowledge, I think you're saying Highland CDO Holdco<br/>     13 under HFP, and it sounds very much like CDO Fund. But<br/>     14 when I say CDO Fund, I'm referencing the CDO<br/>     15 Opportunity Master Fund and its subsidiaries. So the<br/>     16 answer to your question is yes.</p> <p>17 Q Okay. I'm going to try to use HFP Funds and<br/>     18 CDO Funds to collectively mean what you just said,<br/>     19 Highland Financial and subsidiary -- Highland CDO<br/>     20 Master Fund and its subsidiaries.</p> <p>21 A Understood.</p> <p>22 Q Okay. And Mr. Sevilla asked you to transfer<br/>     23 the funds -- or transfer the assets from HFP Funds and<br/>     24 the CDO Funds to which entity?</p> <p>25 A During that conversation it was just sort of</p> <p>20</p> <p>1 loosely described as Sentinel. In other words, we<br/>     2 would be transferring these assets from the two funds,<br/>     3 HFP and CDO Fund, to Sentinel. We didn't necessarily<br/>     4 get into the actual here's the name of the company,<br/>     5 here's the, you know, instructions, et cetera. We<br/>     6 discussed that later. But generally Sentinel, the<br/>     7 insurance company, who would be issuing the policy.</p> <p>8 Q And how was that transaction supposed to<br/>     9 work?</p> <p>10 A The transfer of the assets or the insurance<br/>     11 policy?</p> <p>12 Q Do you have knowledge of both?</p> <p>13 A I have knowledge of the transfer of assets.</p> <p>14 The Sentinel policy I just have a very, very limited<br/>     15 knowledge of based on what was explained to me in that<br/>     16 conversation in the conference room.</p> <p>17 Q What was explained to you in the conference<br/>     18 room about the insurance policy? We can start there.</p> <p>19 A That we would -- that we were in discussions<br/>     20 with UBS at the time regarding a settlement or legal<br/>     21 resolution. It would involve a large monetary<br/>     22 payment. But for whatever reason, the assets held by<br/>     23 the two relevant funds wouldn't work in this due to<br/>     24 the illiquid nature, in their current form wouldn't<br/>     25 work due to the illiquid nature of the assets, so we</p> |
|--|---|

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|  |   |
|--|---|
| <p>1 had to come up with some way to monetize them, and we<br/> 2 didn't think we had time, and so this insurance policy<br/> 3 was the best solution.</p> <p>4 And the intent was to transfer the assets to<br/> 5 the insurance company Sentinel. Sentinel would then<br/> 6 under some sort of, you know, arrangement -- I<br/> 7 wouldn't really -- the transfer would be governed by<br/> 8 some arrangement, and then Sentinel would issue a<br/> 9 policy in the names of the two funds. And then when<br/> 10 this legal resolution was finalized, Sentinel would<br/> 11 pay up to a hundred million dollars to UBS with<br/> 12 respect to this legal resolution. That's my<br/> 13 understanding of the policy and kind of the way it<br/> 14 worked.</p> <p>15 And so then my part in it was my team,<br/> 16 various teams, actually both accounting and<br/> 17 operations, would facilitate the various transfers of<br/> 18 the different types of assets. And so during that<br/> 19 two-hour discussion -- I think it was during that<br/> 20 discussion, I seem to recall that -- we had a rough<br/> 21 list of the assets and we kind of walked through what<br/> 22 it would take to effect the transfer of each of the<br/> 23 assets. It wasn't -- the way you transfer one<br/> 24 wouldn't necessarily transfer all of them, so we had<br/> 25 to group them in different buckets and figure out the</p> <p>22 best way to transfer the assets.</p> <p>23 And so we spent a material amount of time in<br/> 24 that discussion covering that component of it and the<br/> 25 estimated amount of time it would take to potentially,<br/> 26 you know, finalize all the transfers.</p> <p>27 MS. McLAUGHLIN: And if we can put Exhibit 1<br/> 28 on the screen, please.</p> <p>29 (Deposition Exhibit 1, Email October 26,<br/> 30 2017 from Isaac Leventon to Chris Dunn with<br/> 31 attachment, marked for identification.)</p> <p>32 MS. McLAUGHLIN: Thank you.</p> <p>33 Q Exhibit 1 is a 19-page document. It's an<br/> 34 email from Isaac Leventon dated October 26th, 2017,<br/> 35 attaching what's entitled a Legal Liability Insurance<br/> 36 Policy. Do you see the document on your screen,<br/> 37 Mr. Stoops?</p> <p>38 A Yes.</p> <p>39 MS. McLAUGHLIN: Can we please go to page 2.</p> <p>40 MR. FEINSTEIN: Excuse me. Shannon, before<br/> 41 you pose the next question -- it's Robert Feinstein,<br/> 42 for the record, counsel for Highland. The --</p> <p>43 Mr. Leventon is an in-house lawyer. Mr. Sevilla is as<br/> 44 well. I thought this would be an appropriate point to<br/> 45 put on the record Highland's view as to the<br/> 46 applicability of the attorney-client privilege to the</p> | <p>21 deposition you're taking and the questions you're<br/> 22 asking.</p> <p>23 So to be clear, Highland is not going to<br/> 24 assert the attorney-client privilege to preclude<br/> 25 inquiry into the matters that I think are summarized<br/> 26 in paragraphs 5 through 11 of a motion that the<br/> 27 company recently filed in the bankruptcy to approve<br/> 28 its settlement with UBS outlining facts relevant to<br/> 29 the Sentinel insurance policy and so forth. That's at<br/> 30 docket number 2199. This is not a blanket waiver of<br/> 31 the privilege. It is transactional, if you will, as<br/> 32 to those transactions that are summarized in those<br/> 33 paragraphs, and that's the extent of the waiver and<br/> 34 non-assertion of the privilege. Thank you.</p> <p>35 MS. McLAUGHLIN: Thank you, Mr. Feinstein.</p> <p>36 Could we please turn to the last page of<br/> 37 Exhibit 1.</p> <p>38 BY MS. McLAUGHLIN:</p> <p>39 Q Now, Mr. Stoops, do you see at the top here<br/> 40 where it lists Sentinel Reinsurance Limited as the<br/> 41 insurer signed by Andrew Dean?</p> <p>42 A Yes.</p> <p>43 Q And below that it lists insureds and then<br/> 44 has three entities all signed by Jim Dondero on behalf<br/> 45 of Highland CDO Opportunity Master Fund, L.P.,</p> <p>24 Highland CDO Holding Company and Highland Special<br/> 25 Opportunities Holdings Company. Do you see that as<br/> 26 well?</p> <p>27 A Yes.</p> <p>28 Q And are these the parties that you<br/> 29 understood to be -- excuse me.</p> <p>30 Are these the entities that you understood<br/> 31 to be parties in the transaction Mr. Sevilla described<br/> 32 to you in August 2017?</p> <p>33 A Yes.</p> <p>34 Q Have you ever seen this policy at the time<br/> 35 you were discussing it with Mr. Sevilla?</p> <p>36 A I don't recall it. I don't. But, again, if<br/> 37 you've got a document that indicates I did, I'd be<br/> 38 happy to see it. I don't recall specifically seeing<br/> 39 the policy, no. But I may have just passing in an<br/> 40 email, but I don't recall specifically seeing it, no.</p> <p>41 Q Do you now understand that this is the<br/> 42 policy Mr. Sevilla was referring to at that time?</p> <p>43 A It -- yeah, I mean, it generally appears to<br/> 44 be and capture the salient terms that were sort of<br/> 45 discussed orally with me at the time, you know, in the<br/> 46 conference room, yes.</p> <p>47 Q And do you know who Andrew Dean is?</p> <p>48 A No. That's -- no. To my knowledge, I have</p> |
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1 **no previous experience with him in any capacity.**2 MS. McLAUGHLIN: Can we please go one page  
3 prior to this, to page 18.4 Q It looks here towards the bottom of the page  
5 do you see where it lists the indemnity limit of \$100  
6 million?

7 A Yes.

8 Q Do you also see it lists a premium of \$25  
9 million?

10 A Yes.

11 Q Now, do you know how either figure was  
12 determined?

13 A No.

14 Q Do you know whether this premium was paid?

15 A No, I -- no. No. I was -- I think this was  
16 kind of part of our understanding how the mechanics  
17 would work on everything during the lengthy  
18 discussion. But we really -- I don't recall  
19 specifically getting into the premium aspect of it.  
20 I -- I -- honestly, I don't recall the 25 million in  
21 the original discussion. I don't know if it was  
22 present, we just didn't really cover it, or if it  
23 developed later for some reason. I don't recall.24 We simply talked about it in terms of here  
25 are the assets and in return we're getting a \$10026 1 million policy. Now, clearly the \$25 million  
2 component, you know, developed at some point. I just  
3 don't recall spending a lot of time on it during the  
4 original discussion.5 Q Had Mr. Sevilla's instructions been to  
6 transfer all the assets at the relevant funds?7 A Yes, that was -- that's my recollection,  
8 yes.9 Q And in that instruction Mr. Sevilla wanted  
10 all funds or all assets transferred regardless of the  
11 value of those assets?

12 A That's right, yes.

13 Q Do you know, based on your conversation with  
14 Mr. Sevilla, if UBS knew about this insurance policy?15 A I can't say specifically about the policy  
16 itself. It was my understanding -- you know, it's two  
17 steps. The first is you have to reach the settlement  
18 and then you have the payment where the policy comes  
19 in.20 I mean, I think during the conversations it  
21 was very clear to us, or at least made very clear to  
22 us, that UBS was actively involved in the negotiations  
23 because at the time it was -- the only rotating item  
24 was the bid and the ask. The difference between what  
25 we were offering and what UBS was asking was material27 1 but narrowing. And so there was enough, I guess,  
2 support there for somebody to conclude that we were  
3 near resolution and to effect it we would need this  
4 policy.5 But your question was do I have knowledge of  
6 UBS being aware of the policy, no, I don't have  
7 specific knowledge of that. But it was represented to  
8 us that there were negotiations in which UBS was an  
9 active participant.10 Q And it was Mr. Sevilla that made  
11 representations that UBS was an active participant at  
12 this time?

13 A Yes.

14 MS. McLAUGHLIN: We can take Exhibit 1 down,  
15 please. Could we please put Exhibit 2 up instead.16 (Deposition Exhibit 2, Purchase Agreement  
17 August 7, 2017, marked for identification.)18 Q Okay. Exhibit 2 is a seven-page document,  
19 it's entitled "Purchase Agreement," and it's dated as  
20 of August 7th, 2017. Do you see Exhibit 2 on your  
21 screen?

22 A Yes.

23 Q And this purchase agreement lists Sentinel  
24 Reinsurance Limited as the purchaser. Do you see  
25 that?

28 1 A Yes.

2 Q And it also lists three Highland entities as  
3 the sellers: Highland CDO Opportunity Master Fund,  
4 L.P., Highland CDO Holding Company and Highland  
5 Special Opportunities Holding Company. Do you see  
6 that?

7 A Yes.

8 Q Prior to preparing for this deposition, had  
9 you seen this agreement before?10 A I don't recall it. I don't recall it. No,  
11 I don't recall. But, again, that doesn't mean somehow  
12 maybe I got it sent to me by email. I don't recall  
13 seeing this specifically.14 MS. McLAUGHLIN: And if we could please turn  
15 to the last two pages, page 6 and 7. Starting at page  
16 6. Obviously you can't put both up.17 Q This is a page titled "Schedule A" with a  
18 list of assets. Mr. Stoops, you can still see this on  
19 your screen?

20 A Yes.

21 Q The assets listed here are broken out by  
22 different entities starting with Highland CDO  
23 Opportunity Master Fund L.P., correct?

24 A Yes.

25 Q Do you have an understanding as to what the

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|    | 29 |    | 31   |
| 1  |    | 1  | were talking about.                                      |
| 2  |    | 2  | Q Okay. And your understanding was that the              |
| 3  |    | 3  | assets would be transferred to pay UBS. Is that          |
| 4  |    | 4  | correct?   |
| 5  |    | 5  | A In the sequence of events, the assets would            |
| 6  |    | 6  | be transferred to pay for a policy, a settlement         |
| 7  |    | 7  | policy that would then pay UBS in cash if a settlement   |
| 8  |    | 8  | or legal judgment were reached. There was that last      |
| 9  |    | 9  | contingency in there.                                    |
| 10 |    | 10 | Q And do you know whose idea it was to                   |
| 11 |    | 11 | transfer the assets to Sentinel and then to UBS if a     |
| 12 |    | 12 | settlement were reached?                                 |
| 13 |    | 13 | A Meaning whose idea was it to take out the              |
| 14 |    | 14 | policy? Is that what -- is that your question?           |
| 15 |    | 15 | Q Yes. Thank you.  |
| 16 |    | 16 | A Yeah, I don't know. That preceded me, and I            |
| 17 |    | 17 | wasn't involved in those conversations.                  |
| 18 |    | 18 | Q Okay.  |
| 19 |    | 19 | A Meaning by the time I was sitting in that              |
| 20 |    | 20 | conference room discussing it, the idea of the policy    |
| 21 |    | 21 | was well in motion at that point, and I don't know the   |
| 22 |    | 22 | origins of it at all.                                    |
| 23 |    | 23 | Q And you've mentioned that Mr. Sevilla,                 |
| 24 |    | 24 | yourself and Mr. Swadley discussed how to transfer the   |
| 25 |    | 25 | assets or the mechanics of it being the baskets were     |
|    | 30 |    | 32   |
| 1  |    | 1  | all a different kind. Is that -- is that correct?        |
| 2  |    | 2  | A Well, to his credit, Rick probably wouldn't            |
| 3  |    | 3  | have been involved in the transfer of the assets.        |
| 4  |    | 4  | That would have been primarily JP and me, JP Sevilla     |
| 5  |    | 5  | and me. Rick was more interested in the what happens     |
| 6  |    | 6  | next, the sort of tax implications. But, yes, we --      |
| 7  |    | 7  | JP Sevilla and I discussed the how to effect the         |
| 8  |    | 8  | transfer of each of the different groups of assets on    |
| 9  |    | 9  | the list.  |
| 10 |    | 10 | Q So in your understanding, how much money was           |
| 11 |    | 11 | 11 to be transferred?                                    |
| 12 |    | 12 | A Meaning the overall value of the assets?               |
| 13 |    | 13 | Q Yes. Yes.  |
| 14 |    | 14 | A Yes. Yes.  |
| 15 |    | 15 | Q Sorry. What was your understanding of the              |
| 16 |    | 16 | 16 overall value of the assets to be transferred?        |
| 17 |    | 17 | A So I think -- and that's why this one is a             |
| 18 |    | 18 | 18 little odd to me. I would have expected, quite        |
| 19 |    | 19 | 19 frankly -- is this the -- is this the original format |
| 20 |    | 20 | 20 of the Schedule A? It wasn't changed in any way?      |
| 21 |    | 21 | Q I can't answer that. I have no idea.                   |
| 22 |    | 22 | A Okay, fair enough. I would expect market               |
| 23 |    | 23 | 23 value to be on there as well; price and market value  |
| 24 |    | 24 | 24 to be on there as well. And, you know, collectively,  |
| 25 |    | 25 | 25 I've seen the number about 105 thrown around, 105     |

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| <p>1 million, and so clearly you're talking about a policy<br/> 2 of 105 -- I mean, a transfer of assets worth 105<br/> 3 million versus a policy of a hundred million. There's<br/> 4 a slight difference there. And the way it was<br/> 5 explained to us was due to the illiquid nature of it,<br/> 6 of the assets, the overall asset pool and the time<br/> 7 required to liquidate it, there was some concern of<br/> 8 would we actually achieve the upper boundaries of the<br/> 9 potential settlement number. And in the interest of<br/> 10 time, this was the best solution.</p> <p>11 Additionally, there would also be expenses<br/> 12 to be paid -- legal expenses, administrative expenses,<br/> 13 et cetera -- around this, and that these assets would<br/> 14 be used to pay whatever ancillary expenses, you know,<br/> 15 remained going forward. Because that was one of my<br/> 16 concerns was, you know -- one of my responsibilities<br/> 17 at HFP was from time to time if I was presented with a<br/> 18 bill to pay -- legal expenses, tax prep fees,<br/> 19 whatever -- I used, you know, whatever cash was in the<br/> 20 account to pay for it. And as represented to me, we<br/> 21 would be transferring all of the assets, how would I<br/> 22 pay expenses going forward in any capacity, you know,<br/> 23 in whatever they are, the nature.</p> <p>24 And it was represented to me that Sentinel<br/> 25 would be paying those expenses going forward, and I</p> | <p>33</p> <p>1 Q We didn't start beginning -- begin to<br/> 2 discuss some of the transfers themselves. Do you know<br/> 3 if any of the assets listed on page 6 of this<br/> 4 agreement were ever transferred to Sentinel?</p> <p>5 A It was my understanding -- are you limiting<br/> 6 the scope of your question to only page 6 or are you<br/> 7 also including page 7?</p> <p>8 Q I started with page 6 only because it's on<br/> 9 the screen. However --</p> <p>10 A Sure.</p> <p>11 Q -- you have a binder in front of you with<br/> 12 the document in it, and so we can do page 6 and page 7<br/> 13 at the same time.</p> <p>14 A It was my understanding that all assets on<br/> 15 both page 6 and 7 were to be transferred.</p> <p>16 Q Do you know if in fact all assets on pages 6<br/> 17 and 7 were transferred?</p> <p>18 A I've learned recently in just very recent<br/> 19 discussions, as early as today, that no, apparently<br/> 20 not all assets were transferred, which was news to me.</p> <p>21 Q But the goal was to transfer all assets,<br/> 22 right?</p> <p>23 A That's right. That's right. That's again<br/> 24 illustrated by my concern about how are we going to<br/> 25 pay expenses for these funds going forward if there</p>   |
| <p>1 was like BDO -- BDO is an accounting firm -- tax prep<br/> 2 fees, yes, that would be paid by them. You know, they<br/> 3 had offshore governance, they had directors, the CDO<br/> 4 Holdco and HSC had offshore directors. Yes, that<br/> 5 would be paid by them.</p> <p>6 So going forward I had no responsibilities<br/> 7 to pay any expenses out of HFP and because there won't<br/> 8 be any cash, yes, that's correct.</p> <p>9 So that's kind of -- that was the -- getting<br/> 10 back to your question of what was my understanding of<br/> 11 the value of the assets, that was the justification<br/> 12 for the differential between the \$105 million fair<br/> 13 value of the assets versus the potential outlay the<br/> 14 insurance company would incur with respect to the<br/> 15 issuance of this policy.</p> <p>16 Q And I think you said it in there, but just<br/> 17 to make sure that we understand, in August 2017 you<br/> 18 understood that these transfers were for a market<br/> 19 value of approximately \$105 million. Is that correct?</p> <p>20 A That's generally my recollection, yes. I<br/> 21 don't remember the precise number, but it was in that<br/> 22 neighborhood, yes.</p> <p>23 Q Okay. And you also understand that \$105<br/> 24 million is greater than \$25 million. Is that right?</p> <p>25 A Yes.</p>   | <p>34</p> <p>1 were no assets left, and, you know, that was, again,<br/> 2 we had, like, the two-hour conversation, that was part<br/> 3 of it; Sentinel will pay all expenses for the funds<br/> 4 going forward, okay.</p> <p>5 Q When this transaction was complete, your<br/> 6 concern was that there'd be no funds at any of the HFP<br/> 7 entities or the CDO entities. Is that correct?</p> <p>8 A That's correct, yes.</p> <p>9 Q So the assets then were pooled from those<br/> 10 entities collectively. Is that correct?</p> <p>11 A They ultimately would have been pooled at<br/> 12 Sentinel. They weren't pooled at Highland. We<br/> 13 wouldn't have commingled them at Highland. But<br/> 14 theoretically Sentinel pooled them and commingled<br/> 15 them.</p> <p>16 Q And there are several entities listed on<br/> 17 pages 6 and 7. We've got Highland CDO Opportunity<br/> 18 Master Fund, Highland CDO Opportunity Fund, Limited on<br/> 19 page 6. And then if we can go to page 7, it shows<br/> 20 several more: Highland CDO Holdings Company, Highland<br/> 21 Special Opportunities Holding Company, Highland<br/> 22 Financial Corp. and Highland Financial Partners.</p> <p>23 So that's six total entities. Is that<br/> 24 correct?</p> <p>25 A That's what's listed here, agreed, yes.</p> |

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|    | 37  |    | 39  |
| 1  | Q But the purchase agreement itself, if you                   | 1  | Q And who was Shawn Raver?                                    |
| 2  | look on page 1, was only entered into by three                | 2  | <b>A So the tax department basically had two</b>              |
| 3  | Highland entities. Is that true?                              | 3  | <b>functions. You had tax compliance, which is the</b>        |
| 4  | <b>A I'm -- not being involved in the purchase</b>            | 4  | <b>preparation of tax returns, and that was Rick</b>          |
| 5  | <b>agreement, I -- I couldn't tell you ultimately who was</b> | 5  | <b>Swadley's sort of jurisdiction. It also had sort of a</b>  |
| 6  | <b>a party to it. I don't believe I was involved. I</b>       | 6  | <b>tax research or positions team and much smaller, and</b>   |
| 7  | <b>don't recall seeing it.</b>                                | 7  | <b>that was headed by Mark Patrick, a tax attorney, and</b>   |
| 8  | Q If we could go to page 1, please.                           | 8  | <b>Shawn Raver. Shawn Raver basically rolled up to him.</b>   |
| 9  | The nice thing about these agreements is                      | 9  | <b>You know, he was -- he was the -- he was in that</b>       |
| 10 | 10 that they give you some of the answers.                    | 10 | <b>group; Shawn Raver was in that group and reported to</b>   |
| 11 | <b>A Sure.</b>  | 11 | <b>Mark Patrick.</b>  |
| 12 | Q So here up top in that first paragraph, this                | 12 | <b>I'm only sort of hesitant in one sense.</b>                |
| 13 | agreement only lists those three entities: Highland           | 13 | <b>Shawn Raver, I don't think was an employee of</b>          |
| 14 | CDO Opportunity Master Fund, L.P., Highland CDO               | 14 | <b>Highland. I think he was like a contractor, 1099, who</b>  |
| 15 | Holding Company and Highland Special Opportunities            | 15 | <b>was there for like five years or something in that</b>     |
| 16 | Holdings Company. Is that right --                            | 16 | <b>capacity. So that's why I'm hesitant to describe it.</b>   |
| 17 | <b>A Yeah. That's right.</b>                                  | 17 | <b>But technically he reported to Mark. He had a desk</b>     |
| 18 | Q -- three --   | 18 | <b>there. But I don't think he was an employee of</b>         |
| 19 | <b>A Yes. That's right.</b>                                   | 19 | <b>Highland per se; I think he was an external</b>            |
| 20 | Q And so is it correct that the entities of --                | 20 | <b>contractor.</b>  |
| 21 | 21 excuse me, starting over.                                  | 21 | Q Okay. On page 3 here, on the bottom of page                 |
| 22 | 22 Is it correct that the assets of all the CDO               | 22 | 23, do you see where it says, "The aggregate purchase         |
| 23 | Fund and HFP entities were put together under this            | 23 | 24 price"? This is in the last paragraph. "The                |
| 24 | 24 purchase agreement even if the entity was not a party      | 24 | 25 aggregate purchase price paid by Sentinel for the          |
| 25 | 25 to the agreement?  | 25 | Assets was 25 million"?                                       |
|    | 38  |    | 40  |
| 1  | <b>A Yes, it appears assets from entities in the</b>          | 1  | <b>A Yes.</b>   |
| 2  | <b>HFP -- in the HFP complex were included in the</b>         | 2  | Q "The aggregate fair market value of the                     |
| 3  | <b>agreement, while the entities themselves were not</b>      | 3  | assets on the date of the Transaction was                     |
| 4  | <b>listed on page 1, yes, I agree.</b>                        | 4  | \$105,647,679."   |
| 5  | MS. McLAUGHLIN: We can take Exhibit 2 down,                   | 5  | <b>A Yes.</b>   |
| 6  | please.   | 6  | Q And do you know how that full market value                  |
| 7  | (Deposition Exhibit 3, Email chain September                  | 7  | 7 was determined?   |
| 8  | 12, 2018, with attachment, marked for identification.)        | 8  | <b>A The 105 million?</b>                                     |
| 9  | Q We'll briefly look at Exhibit 3. And                        | 9  | Q Yes.  |
| 10 | Exhibit 3 is a six-page document. It starts with an           | 10 | <b>A So Highland had a separate valuation team</b>            |
| 11 | email from Shawn Raver dated September 12th, 2018.            | 11 | <b>that was responsible for at least, on a monthly basis,</b> |
| 12 | And if you look on page 2, it attaches a document             | 12 | <b>coming up with or determining the value of all assets,</b> |
| 13 | entitled -- or a memo entitled "Tax Consequences of           | 13 | <b>quote/unquote, in the system, and so these assets were</b> |
| 14 | 14 Sentinel Acquisition of HFP/CDO Opportunity Assets."       | 14 | <b>in the system and so they would have derived a value</b>   |
| 15 | Do you see Exhibit 3 on the screen?                           | 15 | <b>for them. So --</b>  |
| 16 | <b>A Yes.</b>   | 16 | Q Were you involved? Sorry, I didn't mean to                  |
| 17 | Q And before you began preparing for this                     | 17 | 17 cut you off.   |
| 18 | deposition, had you ever seen this memo before?               | 18 | <b>A No, I was not involved.</b>                              |
| 19 | <b>A To my recollection, no, I don't recall</b>               | 19 | Q Okay. On page 4 of this memo -- if we can                   |
| 20 | <b>seeing it. But, again, if you've got a document</b>        | 20 | 20 flip one more -- it mentions here, "The IRS may            |
| 21 | <b>indicating something to the contrary, I would be happy</b> | 21 | 21 attempt to characterize the transaction as a 'sham.'       |
| 22 | <b>22 to look at it to see if it reminds me. But I don't</b>  | 22 | 22 The focus of this argument would be on the fact the        |
| 23 | <b>recall seeing this previously.</b>                         | 23 | 23 Seller Entities sold assets with a fair market value       |
| 24 | Q Do you recall who Shawn Raver was?                          | 24 | 24 of 105,647,679 for a purchase price of 25 million.         |
| 25 | <b>A Yes.</b>   | 25 | 25 And this was done solely to fund the \$25 million          |

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|  |   |
| <p>1 premium required by the Policy. The obvious question<br/>2 would be why sell all the assets if all was required<br/>3 was 25 million."</p> <p>4 Do you see those sentences in the bottom<br/>5 paragraph?</p> <p>6 <b>A I do. I do.</b></p> <p>7 Q Do you know if people thought this<br/>8 transaction was a sham?</p> <p>9 <b>A I don't know --</b></p> <p>10 MR. FEINSTEIN: Before you answer, please --<br/>11 it's Robert Feinstein again. I just want to note,<br/>12 again, that the author of this memo is an attorney. I<br/>13 understand he might have been an independent<br/>14 contractor or whatever, but he was an attorney, and<br/>15 I'm going to make the same observation again about not<br/>16 asserting the privilege as to the memo and your<br/>17 question, but thought it was appropriate, at least, to<br/>18 note that this gentleman was an attorney. Thank you.</p> <p>19 Q Mr. Stoops, do you know if people thought<br/>20 the transaction was a sham?</p> <p>21 <b>A This is the first time I've seen it even<br/>22 sort of discussed in that potential context.</b></p> <p>23 <b>But I'll also note for the record that a<br/>24 sham transaction is an IRS phrase, and so I don't know<br/>25 that if you talk about it outside of the context of</b></p> | <p>41</p> <p>1 Q There's a few people listed on here. Katie<br/>2 Irving is listed. Do you know -- do you know what<br/>3 Katie Irving's role was?</p> <p>4 <b>A I couldn't tell you specifically. She<br/>5 was -- from my description, she was in the legal<br/>6 department but was not a lawyer. I thought she came<br/>7 from Big Four accounting, and we just sort of viewed<br/>8 her as litigation support.</b></p> <p>9 Q And I'm going to ask you about several other<br/>10 individuals, too.</p> <p>11 <b>A Sure.</b></p> <p>12 Q If you know their title, that's great, but,<br/>13 otherwise, just a general description of what you<br/>14 understood their role to be is --</p> <p>15 <b>A Sure.</b></p> <p>16 Q Katie Irving, do you know who she reported<br/>17 to in the legal department? Or the legal services<br/>18 department you might have said.</p> <p>19 <b>A I can't say definitively, but it was my<br/>20 understanding I think she reported to Scott Ellington<br/>21 directly.</b></p> <p>22 Q And Carter Chism is also on this email. Do<br/>23 you know what his role was?</p> <p>24 <b>A He was -- I believe at the time his role was<br/>25 director -- or title was director of operations.</b></p>  |
| <p>1 <b>IRS discussions that many people would have used the<br/>2 phrase "sham." But whatever -- no, I'm not aware of<br/>3 any actual discussions around it. I don't recall any.</b></p> <p>4 Q Okay. Thank you.</p> <p>5 MS. McLAUGHLIN: We can take Exhibit 3 down,<br/>6 please.</p> <p>7 Q We're going to turn to a few documents that<br/>8 discuss some of the transfers in more detail. We'll<br/>9 start with Exhibit 4.</p> <p>10 (Deposition Exhibit 4, Email chain August<br/>11 11, 2017, HCMUBS000563 and 564, marked for<br/>12 identification.)</p> <p>13 Q And Exhibit 4 is an email with the top email<br/>14 dated Friday, August 11th, 2017 from David Willmore to<br/>15 Carter Chism, Katie Irving, JP Sevilla and Isaac<br/>16 Leventon, and then copying you and several other<br/>17 people. Do you see Exhibit 4?</p> <p>18 <b>A Yes.</b></p> <p>19 Q And do you recognize this email?</p> <p>20 <b>A I don't recall it specifically, but I -- you<br/>21 know, I don't recall it specifically, but, you know,<br/>22 I'm -- I understand it.</b></p> <p>23 Q Any reason to doubt that you received this<br/>24 email on August 11th?</p> <p>25 <b>A No, no reason to doubt that.</b></p>   | <p>42</p> <p>1 Q And what department did Mr. Chism work in,<br/>2 if you know?</p> <p>3 <b>A Settlement. He reported directly to me.</b></p> <p>4 Q Okay. And if we're looking -- well, we'll<br/>5 start there's a few more names here. David Willmore,<br/>6 do you know what his role was?</p> <p>7 <b>A At the time senior manager for in fund<br/>8 accounting. Translated, he did -- handled the books<br/>9 and records for the hedge funds, and he was the group<br/>10 leader, and he reported directly to me.</b></p> <p>11 Q I see you're catching on to these questions,<br/>12 the second part that comes after.</p> <p>13 Who is Chris Dunn, if you know?</p> <p>14 <b>A Chris Dunn was sort of a junior accountant<br/>15 at the time in the fund accounting team, and he would<br/>16 have reported directly to David Willmore.</b></p> <p>17 Q And that leaves three people left. I think<br/>18 we've got JP Sevilla listed here?</p> <p>19 <b>A In-house legal -- I'm sorry. Go ahead.</b></p> <p>20 Q Please. After you.</p> <p>21 <b>A JP Sevilla, my understanding, in-house legal<br/>22 counsel, a lawyer, reporting, it's my understanding,<br/>23 to Scott Ellington.</b></p> <p>24 Q And did you have an understanding about<br/>25 Isaac Leventon's role at the time?</p> |
|  |   |
|  |   |
| <p>1 premium required by the Policy. The obvious question<br/>2 would be why sell all the assets if all was required<br/>3 was 25 million."</p> <p>4 Do you see those sentences in the bottom<br/>5 paragraph?</p> <p>6 <b>A I do. I do.</b></p> <p>7 Q Do you know if people thought this<br/>8 transaction was a sham?</p> <p>9 <b>A I don't know --</b></p> <p>10 MR. FEINSTEIN: Before you answer, please --<br/>11 it's Robert Feinstein again. I just want to note,<br/>12 again, that the author of this memo is an attorney. I<br/>13 understand he might have been an independent<br/>14 contractor or whatever, but he was an attorney, and<br/>15 I'm going to make the same observation again about not<br/>16 asserting the privilege as to the memo and your<br/>17 question, but thought it was appropriate, at least, to<br/>18 note that this gentleman was an attorney. Thank you.</p> <p>19 Q Mr. Stoops, do you know if people thought<br/>20 the transaction was a sham?</p> <p>21 <b>A This is the first time I've seen it even<br/>22 sort of discussed in that potential context.</b></p> <p>23 <b>But I'll also note for the record that a<br/>24 sham transaction is an IRS phrase, and so I don't know<br/>25 that if you talk about it outside of the context of</b></p> | <p>43</p> <p>1 Q There's a few people listed on here. Katie<br/>2 Irving is listed. Do you know -- do you know what<br/>3 Katie Irving's role was?</p> <p>4 <b>A I couldn't tell you specifically. She<br/>5 was -- from my description, she was in the legal<br/>6 department but was not a lawyer. I thought she came<br/>7 from Big Four accounting, and we just sort of viewed<br/>8 her as litigation support.</b></p> <p>9 Q And I'm going to ask you about several other<br/>10 individuals, too.</p> <p>11 <b>A Sure.</b></p> <p>12 Q If you know their title, that's great, but,<br/>13 otherwise, just a general description of what you<br/>14 understood their role to be is --</p> <p>15 <b>A Sure.</b></p> <p>16 Q Katie Irving, do you know who she reported<br/>17 to in the legal department? Or the legal services<br/>18 department you might have said.</p> <p>19 <b>A I can't say definitively, but it was my<br/>20 understanding I think she reported to Scott Ellington<br/>21 directly.</b></p> <p>22 Q And Carter Chism is also on this email. Do<br/>23 you know what his role was?</p> <p>24 <b>A He was -- I believe at the time his role was<br/>25 director -- or title was director of operations.</b></p>  |
| <p>1 <b>IRS discussions that many people would have used the<br/>2 phrase "sham." But whatever -- no, I'm not aware of<br/>3 any actual discussions around it. I don't recall any.</b></p> <p>4 Q Okay. Thank you.</p> <p>5 MS. McLAUGHLIN: We can take Exhibit 3 down,<br/>6 please.</p> <p>7 Q We're going to turn to a few documents that<br/>8 discuss some of the transfers in more detail. We'll<br/>9 start with Exhibit 4.</p> <p>10 (Deposition Exhibit 4, Email chain August<br/>11 11, 2017, HCMUBS000563 and 564, marked for<br/>12 identification.)</p> <p>13 Q And Exhibit 4 is an email with the top email<br/>14 dated Friday, August 11th, 2017 from David Willmore to<br/>15 Carter Chism, Katie Irving, JP Sevilla and Isaac<br/>16 Leventon, and then copying you and several other<br/>17 people. Do you see Exhibit 4?</p> <p>18 <b>A Yes.</b></p> <p>19 Q And do you recognize this email?</p> <p>20 <b>A I don't recall it specifically, but I -- you<br/>21 know, I don't recall it specifically, but, you know,<br/>22 I'm -- I understand it.</b></p> <p>23 Q Any reason to doubt that you received this<br/>24 email on August 11th?</p> <p>25 <b>A No, no reason to doubt that.</b></p>   | <p>44</p> <p>1 Q And what department did Mr. Chism work in,<br/>2 if you know?</p> <p>3 <b>A Settlement. He reported directly to me.</b></p> <p>4 Q Okay. And if we're looking -- well, we'll<br/>5 start there's a few more names here. David Willmore,<br/>6 do you know what his role was?</p> <p>7 <b>A At the time senior manager for in fund<br/>8 accounting. Translated, he did -- handled the books<br/>9 and records for the hedge funds, and he was the group<br/>10 leader, and he reported directly to me.</b></p> <p>11 Q I see you're catching on to these questions,<br/>12 the second part that comes after.</p> <p>13 Who is Chris Dunn, if you know?</p> <p>14 <b>A Chris Dunn was sort of a junior accountant<br/>15 at the time in the fund accounting team, and he would<br/>16 have reported directly to David Willmore.</b></p> <p>17 Q And that leaves three people left. I think<br/>18 we've got JP Sevilla listed here?</p> <p>19 <b>A In-house legal -- I'm sorry. Go ahead.</b></p> <p>20 Q Please. After you.</p> <p>21 <b>A JP Sevilla, my understanding, in-house legal<br/>22 counsel, a lawyer, reporting, it's my understanding,<br/>23 to Scott Ellington.</b></p> <p>24 Q And did you have an understanding about<br/>25 Isaac Leventon's role at the time?</p> |

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1     **A Also in-house legal counsel, presumably**  
 2 **assistant general counsel, reporting to Scott**  
 3 **Ellington.**

4     Q   And the last name I believe is Thomas  
 5   Surgent. Do you understand what his role was?

6     **A Chief compliance officer for Highland, also**  
 7 **reporting to Tom -- I mean to Scott Ellington.**

8     Q   Was it --

9     **A He was also -- I'm sorry, I don't mean to**  
 10 **cut you off but I need to modify it. I think he had**  
 11 **two titles. He was maybe also assistant general**  
 12 **counsel or something like that, and he had kind of a**  
 13 **dual role, a split role. He was CCO, plus this sort**  
 14 **of assistant general counsel or deputy. Maybe that**  
 15 **was it. Maybe that was it. Deputy general counsel,**  
 16 **something like that, something elevated higher than**  
 17 **the assistant general counsel that Isaac had, but**  
 18 **lower than Scott's title of, you know, whatever,**  
 19 **general counsel or chief legal; yeah, I think general**  
 20 **counsel.**

21     **So I think Scott -- I mean Thomas was deputy**  
 22 **general counsel, something like that, and CCO.**

23     Q   Thank you.

24     We'll start at the bottom email, which is  
 25 the earliest in time, from Kate Irving to Carter

1     **room -- rephrase. That's the "why." The "what" is I**  
 2 **seem to recall instructing Carter to reply to this**  
 3 **email with these people on there so that everybody was**  
 4 **aware of what we were being instructed to do.**

5     **And you see Thomas Surgent, he represents**  
 6 **the compliance group. You see Frank Waterhouse, he**  
 7 **was my boss. And then obviously David and Chris**  
 8 **because they would have been handling the cash**  
 9 **transactions. And then you also see -- that's a good**  
 10 **point. I don't recall why Isaac would have been**  
 11 **added. Clearly, to some degree, he had some**  
 12 **involvement. I don't recall what. But clearly, to**  
 13 **some degree, he was added for some reason, presumably**  
 14 **because he had some level of involvement. Maybe**  
 15 **because it was HFP. I can only speculate on why Isaac**  
 16 **was added.**

17     Q   I think I heard you say that you had asked  
 18 Mr. Chism to copy these people on the email. Is that  
 19 right?

20     **A Correct.**

21     Q   Why did you want this variety of people  
 22 copied on the email?

23     **A Just the magnitude of it. Again, I wasn't**  
 24 **familiar with this sort of policy. It involved**  
 25 **legal -- outstanding legal matter, and it involved the**

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1   Chism. Do you see where Ms. Irving wrote, "Sentinel  
 2 wiring instructions for cash arising from transaction  
 3 are below"?

4     **A Yes.**

5     Q   The transaction here is the one that you  
 6 were made aware of in August 2017 in the conference  
 7 room with Mr. Sevilla. Is that right?

8     **A Presumably, yes, it would have been in this**  
 9 **context.**

10   Q   And what allows you to make that  
 11 presumption?

12   **A Well, it says on the subject line "Sentinel**  
 13 **wiring info." It was around that time frame, and she**  
 14 **says, "Sentinel wiring instructions from cash arising**  
 15 **from transaction" -- "from transaction," you know, the**  
 16 **transfer, "are below."**

17   Q   And in the next email, Mr. Chism responds,  
 18 and as he does, he copies in several additional people  
 19 to the email. Do you recall why Thomas Surgent,  
 20 yourself, Frank Waterhouse, David Willmore and Chris  
 21 Dunn, Isaac Leventon were all added to this email?

22   **A I seem to recall it was on my instruction.**

23   Q   I'm sorry, what do you mean by that, it was  
 24 on your instruction?

25   **A Well, we had just sat in a conference**

48

1     **transfer of these assets, and so it was let's just**  
 2 **make sure everybody is aware of this. It was moving**  
 3 **that quickly, right. And it was, hey, get started on**  
 4 **this, we need to start making this happen, so let's**  
 5 **just everybody know that this is what's going on.**  
 6 **Sort of a fail-safe, if you will, just a backup, just**  
 7 **so that everybody knows what's being asked of us.**

8     **And as you can see, Carter used some very**  
 9 **specific language to make it very clear.**

10   Q   Mr. Chism in this email had written, "Please  
 11 confirm this serves as instruction to wire cash from  
 12 all HFP Funds and all CDO Funds to the account listed  
 13 in the instructions below."

14   **A Um-hmm.**

15   Q   Do you see the middle email there?

16   **A I do.**

17   Q   And who was Mr. Chism asking for this  
 18 confirmation from?

19   **A Presumably Katie, JP or Isaac, any**  
 20 **combination of those three.**

21   Q   He was asking for confirmation from the  
 22 legal department. Is that right?

23   **A That's correct, yes.**

24   Q   Looking at the top email, one more up,  
 25 Mr. Willmore responded and said, "FYI, I've entered

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|   |   |
|---|---|
| <p style="text-align: right;">49</p> <p>1 wires to move all of CDO Fund's cash to Sentinel." Do<br/>2 you see that spot?</p> <p>3 <b>A I do.</b></p> <p>4 Q This indicated to you that Mr. Willmore had<br/>5 completed the steps to move all cash assets from CDO<br/>6 Funds to Sentinel, right?</p> <p>7 <b>A Not quite. So Highland had a proprietary</b><br/>8 <b>wire system where an accountant would go in and enter</b><br/>9 <b>the wire to go, and then that wire would then be</b><br/>10 <b>approved, and then those instructions would then go to</b><br/>11 <b>the bank. So think of this as, like, step one of</b><br/>12 <b>three or four. And all David is saying is, I've</b><br/>13 <b>entered the wires into our system.</b></p> <p>14 Q And do you recall who they would be approved<br/>15 by when entered into that system?</p> <p>16 <b>A I don't, I don't recall. It was over 7</b><br/>17 <b>million. I think at the time maybe only Frank had the</b><br/>18 <b>ability to approve wires that large. That's -- it</b><br/>19 <b>should be in the system. Anybody should be able to go</b><br/>20 <b>look at it. But I don't recall it specifically.</b></p> <p>21 Q A wire over 7 million, though, was --</p> <p>22 <b>A No, no, technically -- technically -- I</b><br/>23 <b>mixed my words. I think the threshold was 5 million.</b><br/>24 <b>So because this one was 7 million, I think that was</b><br/>25 <b>the threshold and Frank would have to go -- Frank</b></p> | <p style="text-align: right;">51</p> <p>1 <b>like, I can find it.</b></p> <p>2 Q We're looking at Schedule A on page 6.</p> <p>3 <b>A This was the PSA?</b></p> <p>4 Q Yes, the PSA.</p> <p>5 <b>A If you'll give me a minute.</b></p> <p>6 THE TECHNICIAN: Ms. McLaughlin, would you<br/>7 like me to pull it up?</p> <p>8 THE WITNESS: No, thank you. I'll be there<br/>9 in 30 seconds, so...</p> <p>10 MR. THORNTON: I've written Exhibit 2 on the<br/>11 back of the divider page.</p> <p>12 <b>A Okay. I've got it. I've got it. I've got</b><br/>13 <b>it in front of me.</b></p> <p>14 Q And on page 6 --</p> <p>15 <b>A It's the same numbers, yes.</b></p> <p>16 Q Sorry?</p> <p>17 <b>A I answered your -- but you need to put the</b><br/>18 <b>question on the record. So, I'm sorry, I cut you off.</b><br/>19 <b>Go ahead and finish your question.</b></p> <p>20 Q On page 6 do you see a transfer of a cash<br/>21 amount for approximately \$7.8 million listed?</p> <p>22 <b>A I don't see a transfer. I see a listing of</b><br/>23 <b>a cash balance for that amount.</b></p> <p>24 Q Thank you. And the cash transfer -- let me<br/>25 get the words right here with you. The cash amount</p> |
| <p style="text-align: right;">50</p> <p>1 <b>would have to be the one to approve it.</b></p> <p>2 Q And did Frank have to seek approval from<br/>3 anyone else, if you recall?</p> <p>4 <b>A I don't know. Frank would have done that on</b><br/>5 <b>his own.</b></p> <p>6 Q In the next line here Mr. Willmore wrote<br/>7 there were two wires, one for approximately 7.8<br/>8 million and he lists the second number of<br/>9 approximately 2.3 million?</p> <p>10 <b>A Um-hmm.</b></p> <p>11 Q Do you see that line?</p> <p>12 <b>A I do.</b></p> <p>13 Q These two wires were pursuant to the<br/>14 purchase agreement. Is that correct? As you now<br/>15 understand, these two wires were pursuant to the<br/>16 purchase agreement?</p> <p>17 <b>A Presumably, yes.</b></p> <p>18 Q I know you have a binder of exhibits there.<br/>19 So in the binder you look at Exhibit 2.</p> <p>20 <b>A Yeah, unfortunately, it's in a different</b><br/>21 <b>order. If you could help me reference it, I could</b><br/>22 <b>find it.</b></p> <p>23 THE TECHNICIAN: Would you like me to pull<br/>24 Exhibit 2 back up?</p> <p>25 <b>A Or if someone can just tell me what it looks</b></p>  | <p style="text-align: right;">52</p> <p>1 listed under Highland CDO Opportunity Master Fund is<br/>2 roughly the same as what's listed in Mr. Willmore's<br/>3 email in Exhibit 4?</p> <p>4 <b>A Yes, agreed, roughly the same.</b></p> <p>5 Q 40 cents?</p> <p>6 <b>A Right, agreed.</b></p> <p>7 Q The other number in Mr. Willmore's email, he<br/>8 listed that 2.4 million, 2.3 million, approximate<br/>9 number.</p> <p>10 <b>A Um-hmm.</b></p> <p>11 Q Do you see a cash asset on Schedule A in<br/>12 Exhibit 4 that matches that wire transfer?</p> <p>13 <b>A Roughly. Immaterial difference, yes. 20</b><br/>14 <b>cents difference, but yes.</b></p> <p>15 Q And so looking at both of those, does this<br/>16 confirm for you that the transfers of cash, or the<br/>17 wires of cash that Mr. Willmore is referencing were<br/>18 pursuant to the asset purchase agreement?</p> <p>19 <b>A Yes, I think that's a very reasonable</b><br/>20 <b>conclusion, yes.</b></p> <p>21 MS. McLAUGHLIN: We can take Exhibit 4 down<br/>22 and put Exhibit 5 instead, please.</p> <p>23 (Deposition Exhibit 5, Email chain August<br/>24 11, 2017, HCMUBS000567 and 568, marked for<br/>25 identification.)</p> |

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1 Q And Exhibit 5 is another August 11th, 2017  
 2 email. This one, this time it's from you to Katie  
 3 Irving, JP Sevilla, Isaac Leventon and copying the  
 4 same set of other people who were listed on Exhibit 4.

5 Do you see Exhibit 5 on your screen as well?

6 A Yes.

7 Q And do you remember sending this email?

8 A Not specifically.

9 Q Any reason to doubt that you sent this  
 10 email?

11 A No.

12 Q The top email is you responding to David  
 13 Willmore and the wire transfers -- sorry, excuse me.  
 14 This top email is you responding to Mr. Chism's  
 15 request for confirmation of assets to be transferred  
 16 or wire transferred?

17 A Um-hmm.

18 Q You write here, "All cash has been sent."  
 19 Is that you confirming that all the cash from HFP and  
 20 CDO Fund entities had been sent to Sentinel?

21 A Yes, I think that's what it's confirming.

22 Q At this point, then, they've already been  
 23 approved in the internal --

24 A That's right. That's right.

25 Q And we looked at the two wires in

53

1 **electronically.**

2 Q And was this a reference to the -- to some  
 3 of the securities listed on Schedule A of the purchase  
 4 agreement?

5 A Yes.

6 Q And why were you working on it?

7 A **Because the settlement instructions would**  
**8 have been different; they would have been settled to a**  
**9 different account.**

10 Q And by working on DTC securities, you meant  
 11 working on getting them transferred to Sentinel. Is  
 12 that right?

13 A **That's right. That's right.**

14 Q And who directed you to work on this?

15 A **Well, it would have been involved in the**  
**16 original -- it would have been a part of the original**  
**17 conversation with JP. So, in other words, part of**  
**18 a -- material part of our conversation, I recall we**  
**19 got a list similar to this and we went through and**  
**20 we're like, okay, these are physicals, these are DTC,**  
**21 this is just cash. And so we were kind of bucketing**  
**22 them.**

23 **And you're seeing on your screen here the**  
**24 different buckets. Cash is pretty easy; we just**  
**25 covered that. DTC would have been -- we would have**

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1 Mr. Willmore's email already, but it seems here that  
 2 you're referencing additional cash wires as well. Is  
 3 that right?

4 A Yes.

5 Q Do you have a general sense of what other  
 6 cash wires had been executed?

7 A **Going back to your Schedule A, it would be**  
**8 in Exhibit 6, I think it would be the cash balances**  
**9 listed for the HFP entities.**

10 Q Are you looking at Exhibit 2, I think, the  
 11 asset purchase agreement? You mentioned Exhibit 6 --

12 A I see schedule -- I see Schedule A at the  
 13 top. It's the list of assets.

14 Q Oh, got it. Schedule A of Exhibit 2.

15 You're looking at the HFP entities on page 7?

16 A Yes. Yes.

17 Q You also mention in your email working on  
 18 DTC securities?

19 A Correct.

20 Q What were DTC securities?

21 A **Depository Trust Company. It's basically**  
**22 electronic transfers. So, you know, any sort of**  
**23 publicly traded securities, traded DTC. So you can go**  
**24 in and just flip them from one DTC account to another.**  
 25 So think of just publicly traded traded

55

1 **sent instructions to the brokers and just changed them**  
**2 from one DTC account to another, and then what was**  
**3 left would be the physical, the investments that are**  
**4 in sort of what we call physical form.**

5 **And so this is just a way of saying we've**  
**6 covered one grouping, we're working on the second**  
**7 grouping, and for the third grouping we're still**  
**8 waiting for legal to provide us with how you want to**  
**9 do this, where do you want us to deliver them. We**  
**10 would have to instruct -- we would have to instruct**  
**11 our custodian to deliver physicals to another**  
**12 custodian.**

13 Q And do you know if legal did provide those  
 14 delivery instructions?

15 A **Presumably. I can't recall specifically who**  
**16 or when or what they were, but presumably, yes.**

17 Q Do you recall who in legal would have given  
 18 that instruction?

19 A **I -- I can't say definitively. I can**  
**20 only -- I can only speculate.**

21 Q Well, it's been a number of years, so --

22 A **It has been.**

23 Q -- it's understandable. What would you have  
 24 done once you had the delivery instructions?

25 A **For DTC or physicals?**

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|   |    |  |    |
|---|----|--|----|
|   | 57 |  | 59 |
| <p>1 Q For the physicals.</p> <p>2 A Yeah, so realistically this also would have<br/>3 been covered by Carter's team as well. This was kind<br/>4 of standard. You know, Highland was a CLO manager who<br/>5 both managed CLOs but also purchased them. And it<br/>6 wasn't uncommon for certain CLO interests, especially<br/>7 equities, to be – the certificated interest to be in<br/>8 the form of physical securities.</p> |    | <p>1 A That's correct.</p> <p>2 MS. McLAUGHLIN: We can take Exhibit 5 down,<br/>3 please.</p>  |    |
| <p>9 And so if you were sort of breaking it up or<br/>10 selling them whole or partial, you would have to<br/>11 inform the custodian bank holding them that we want<br/>12 them transferred in the name of this entity to this<br/>13 new custodian. And so they would have to<br/>14 re-certificate the interest in the new beneficiary's<br/>15 name and then transfer the physicals to that custodial<br/>16 bank.</p>        |    | <p>4 Q If the goal is to make the fund's assets<br/>5 liquid, why did they need to transfer cash to<br/>6 Sentinel?</p>  |    |
| <p>7 A Any answer I give you would be purely<br/>8 speculation. I wasn't involved in any component of<br/>9 the negotiations or discussions around the decision of<br/>10 that. I could speculate if you want me to, but it<br/>11 would be entirely speculation.</p>   |    | <p>12 MR. THORNTON: Let's don't speculate.</p>   |    |
| <p>13 Q You can't think of a good reason why you<br/>14 would need to transfer cash to Sentinel if the goal<br/>15 was to make the funds more liquid, can you?</p>  |    | <p>16 A The good reason would be as a partial<br/>17 payment on the premium. But obviously there's a<br/>18 deficit in there, a difference in there, between the<br/>19 apparent 25 million or hundred million, whichever<br/>20 number you want to focus on, and the cash balance.</p>  |    |
| <p>21 And I say that because honestly I don't<br/>22 recall at the time the significance of that 25<br/>23 million. We were just sort of viewing it as 105 for a<br/>24 hundred. But, you know, I get the math now clearly.</p>   |    | <p>25 And the differential between whatever the total</p>  |    |
|   | 58 |  | 60 |
| <p>1 Q I think you had mentioned earlier that there<br/>2 was 105 million market value of the assets and they<br/>3 needed to be discounted for being illiquid. Was that<br/>4 your understanding?</p>  |    | <p>1 cash -- aggregate cash value is in that premium was<br/>2 presumably going to be made up by the perceived<br/>3 liquidation value of the remaining assets.</p>  |    |
| <p>5 A That was the explanation provided to me.</p>   |    | <p>4 Q Is it correct, then, if I'm understanding<br/>5 this right, everything listed on Schedule A that is<br/>6 not cash value needed to make up the differential<br/>7 between the value of the cash and the \$25 million?</p>   |    |
| <p>6 Q Is cash a liquid asset?</p> <p>7 A Let me make sure I heard you correctly. Are<br/>8 you asking is cash "a liquid" or are you saying is<br/>9 cash "illiquid"?</p>   |    | <p>8 A That's me speculating, that's entirely me<br/>9 speculating. As represented to me, there were going<br/>10 to be expenses to be paid. So maybe a part of the<br/>11 understanding was they also needed excess cash to pay,<br/>12 you know, whatever fees or expenses they were<br/>13 expecting to incur. I just simply don't know.</p>                    |    |
| <p>10 Q Well, the former. To make it very clear,<br/>11 would cash be a liquid or --</p>  |    | <p>14 I can tell you what was represented to me,<br/>15 which was all of this is with respect to the payment<br/>16 and application of that policy, and we didn't really<br/>17 get into a -- we didn't really get into extensively,<br/>18 well, how are you coming up with the net present value<br/>19 of that or represent this or -- that was -- that was</p> |    |
| <p>12 A Let me describe it. Cash is considered very<br/>13 liquid. It's the most liquid form of asset you can<br/>14 have, basically.</p>   |    | <p>20 an obligation of the dealmakers, you know, the people<br/>21 responsible for negotiating the principal terms of the<br/>22 agreement.</p>  |    |
| <p>15 Q And so on Schedule A in Exhibit 2, when<br/>16 there's a cash transfer of approximately \$7.8 million,<br/>17 would that need to be discounted for being illiquid?</p>  |    | <p>23 Q And so you were just accepting the<br/>24 information that was presented to you by Mr. Sevilla<br/>25 in that August meeting. Is that right?</p>   |    |

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| <p>1     A That's right, with some follow-up questions<br/>2 on -- on understanding it better and clarification.<br/>3 But, yes, I was acting on the legal instruction from<br/>4 counsel. I was acting on instructions from legal<br/>5 counsel.</p> <p>6     Q And the instructions from legal counsel was<br/>7 to transfer all of the assets of CDO Funds and HFP<br/>8 Funds to Sentinel so they would be left with no<br/>9 assets?</p> <p>10    A Yes.</p> <p>11    Q Were the HFP Funds and CDO Funds to be left<br/>12 with liability still?</p> <p>13    A As I understood it, the only remaining<br/>14 liability would be that owed to UBS. All operational<br/>15 liabilities, i.e., fees and expenses for tax prep,<br/>16 corporate governance, would be paid by Sentinel. So<br/>17 in theory the only thing left on the books would be --<br/>18 would be the obligation owed to UBS.</p> <p>19    Q Is it typical in a transaction to have all<br/>20 the liability kept on an entity's books or the<br/>21 liability to UBS kept on an entity's books but all the<br/>22 assets transferred away?</p> <p>23    A Please bear in mind this was my first<br/>24 experience with a transaction like this, so I'm<br/>25 certainly in no position to tell you what's typical in</p> <p>1 these types of transactions.</p> <p>2     It's a -- it's a reasonable question and<br/>3 one -- that's where we spent more of our time also<br/>4 exploring, trying to understand it. We were trying to<br/>5 understand would I have a policy on my books. In<br/>6 other words, do I transfer these assets and I get a<br/>7 \$50 million policy, you know, the payout, \$50 million,<br/>8 I get a receivable.</p> <p>9     And that's when it was explained to us:<br/>10 you'll never see that cash at HFP. Well, why not?<br/>11 Well, the way it's going to work operationally is the<br/>12 cash will go from Sentinel directly to UBS after an<br/>13 agreement has been, you know, executed. So, in other<br/>14 words, it won't go to HFP and HFP paid them. It will<br/>15 be assumed by that.</p> <p>16    So even if you had an asset -- even if you<br/>17 had an asset like a receivable, you effectively wind<br/>18 up impairing it because you'll never realize that<br/>19 asset, and so the net result is the same. In other<br/>20 words, because you're never going to see that cash,<br/>21 you wouldn't show a \$50 million receivable, because<br/>22 you're never going to see it. So the net result is no<br/>23 assets and just the liability.</p> <p>24    And the reason for that is under GAAP you<br/>25 can only remove a liability I think under -- it's been</p> | <p>61</p> <p>1 a while, but under two conditions; you have a legal<br/>2 court order absolving, you know, absolving the entity<br/>3 of the liability, or you have a settlement agreement<br/>4 between the two parties in which the person to which<br/>5 the liability is owed releases, you know, the other<br/>6 party for the liability. Only in those two conditions<br/>7 do you do that, do you remove the liability.</p> <p>8     So given the fact that we didn't have a<br/>9 settlement agreement that had been signed, we couldn't<br/>10 at the time remove the liability. So, in other words,<br/>11 the different steps of the transaction governed and<br/>12 influenced the accounting results being presented.</p> <p>13    Q And a decision to move approximately \$105<br/>14 million in value would have been a decision that<br/>15 involved everyone throughout Highland Capital at the<br/>16 highest levels. Is that correct?</p> <p>17    A Presumably, yes. Given the magnitude of the<br/>18 decision, the implications and the size of the<br/>19 transaction, yes.</p> <p>20    Q And the \$105 million value is the value<br/>21 presented to you by Mr. Sevilla. Is that how you got<br/>22 that number?</p> <p>23    A I don't recall specifically. I don't recall<br/>24 specifically. It may have been -- it may have been<br/>25 we -- we pulled it up out of the system. Like I said,</p> <p>62</p> <p>1 the assets owned by each of the entities was readily<br/>2 available to anybody and everybody at Highland, and so<br/>3 we may have just pulled it up right then and there<br/>4 on-screen or had someone print it out and give it to<br/>5 us and we just looked at it. I don't recall that<br/>6 specifically but...</p> <p>7     Q You don't have any idea, then, if normal<br/>8 processes were followed to ensure an accurate<br/>9 valuation, you wouldn't have that information?</p> <p>10    A My assumption would be that the valuation<br/>11 would have followed the normal process. So if that<br/>12 was the value assigned to them and I was asked to, you<br/>13 know, testify, I would say, yes, I'm guessing they<br/>14 followed the normal valuation process. I don't have<br/>15 any reason to believe they didn't follow the normal<br/>16 valuation process. Not to my recollection, no.</p> <p>17    Q But it's just a guess, correct? You're not<br/>18 positive --</p> <p>19    A Yes.</p> <p>20    Q -- that they did follow --<br/>21       (Simultaneously speaking.)</p> <p>22    A Yes, I -- it is speculation.</p> <p>23    Q And would the highest levels of management<br/>24 at Highland include Mr. Dondero?</p> <p>25    A I can't say definitively. I was never in --</p> |
|--|---|

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| <p>1 that I recall, in a discussion with Jim in which I<br/> 2 heard his approval or whatever. But, presumably, yes,<br/> 3 it would include him. You know, the fact that he<br/> 4 signed several of the documents, at some point<br/> 5 presumably someone had to explain it to him.</p> <p>6 Q And you mentioned that Mr. Dondero signed<br/> 7 several of the documents. If we look at the insurance<br/> 8 policy at Exhibit 1, that is the 19-page document, and<br/> 9 I believe the signatures are on the last page, page<br/> 10 19.</p> <p>11 A Right.</p> <p>12 THE TECHNICIAN: Would you like me to pull<br/> 13 that up, Ms. McLaughlin?</p> <p>14 MS. McLAUGHLIN: No, thank you.</p> <p>15 Q So you see where Jim Dondero signed on<br/> 16 behalf --</p> <p>17 A Yes.</p> <p>18 Q -- of the three entities on the insurance<br/> 19 policy?</p> <p>20 A Yes.</p> <p>21 Q And we've already looked at, I believe,<br/> 22 Exhibit 2, the purchase agreement to see that it was<br/> 23 Jim Dondero who signed on behalf of all six Highland<br/> 24 entities there as well?</p> <p>25 A Yes.</p>  | <p>65</p> <p>1 who held the ownership interest in Sentinel?</p> <p>2 A No.</p> <p>3 Q Have you recently come to learn who held --</p> <p>4 who holds the ownership interest in Sentinel?</p> <p>5 A I recently, i.e., Saturday of -- this past</p> <p>6 Saturday read in some sort of filing a suggestion that</p> <p>7 it appears Dondero and Ellington through a series of</p> <p>8 offshore complex, offshore entities, owns a 70/30</p> <p>9 split on that. Anyways, that's, I think -- I'm</p> <p>10 summarizing what it said in the finding -- or in the</p> <p>11 filing.</p> <p>12 Q Were you surprised to read that Dondero and<br/> 13 Ellington may hold 100 percent of the Sentinel<br/> 14 ownership --</p> <p>15 A Yes. Yes.</p> <p>16 Q What was surprising about that to you?</p> <p>17 A I guess kind of generally through my normal</p> <p>18 operations, you sort of learned who owned what or what</p> <p>19 we were doing, and that never really surfaced for me</p> <p>20 that I recall, where it was, hey, this is their</p> <p>21 entity, as suggested in that filing I read on</p> <p>22 Saturday. So that was -- it seemed to be new</p> <p>23 information to me.</p> <p>24 And then obviously -- obviously then</p> <p>25 connecting it back to this transaction in the context</p>                                |
| <p>1 Q Do you know if Mr. Dondero typically signed<br/> 2 things without reading them or understanding them?</p> <p>3 A I didn't witness him signing everything,<br/> 4 but, no, for the most part he was pretty particular<br/> 5 about going through things, especially of this<br/> 6 magnitude. There might be kind of routine matters<br/> 7 that he might not have. But of items of particular<br/> 8 importance, he, in my opinion, would have been pretty<br/> 9 specific and particular about the execution of those<br/> 10 agreements.</p> <p>11 Q And what are you basing your opinion on?</p> <p>12 A I just -- involvement in other matters of a<br/> 13 material nature. In other words, I have experience<br/> 14 with him with other matters in which we would<br/> 15 routinely go down to his conference room and sit in<br/> 16 his conference room and discuss it in detail for some<br/> 17 time.</p> <p>18 Q Mr. Dondero was also the portfolio manager<br/> 19 of many of the Highland funds. Is that correct?</p> <p>20 A That's correct.</p> <p>21 Q And as a portfolio manager, would it have<br/> 22 been typical to be involved in the decision making to<br/> 23 transfer all of the assets out of a fund?</p> <p>24 A That would be my expectation.</p> <p>25 Q At the time in August 2017, were you aware</p> | <p>66</p> <p>1 of, you know, the subpoena I received and what I was<br/> 2 reading, that's when it really sort of became a little<br/> 3 bit more sort of surprising, if you will.</p> <p>4 Q You mentioned earlier that all trades or<br/> 5 sales have to go into a system for approval?</p> <p>6 A The OMS, order management system.</p> <p>7 Q And what details about a transaction would<br/> 8 go into the order management system for a related<br/> 9 party, if you know?</p> <p>10 A Well, it's been a while, but it wouldn't<br/> 11 necessarily per se be, hey, this is what we're in<br/> 12 because it's a related party. The way it would work<br/> 13 is you have the -- can you still see me okay?</p> <p>14 You have the same trade details in which,<br/> 15 like, you have buyers, seller, seller, quantity,<br/> 16 price, trade date, et cetera, and then that<br/> 17 constituted an order. And so that system was<br/> 18 monitored by compliance in which they had the ability<br/> 19 to tag affiliated entities. And so to the extent<br/> 20 there was an affiliated entity involved, it should<br/> 21 have raised a red flag that only compliance could have<br/> 22 cleared.</p> <p>23 Q And that was a Highland policy that<br/> 24 compliance would have had to clear the flag if one was<br/> 25 raised?</p> |

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1   A That's right, and only compliance. Nobody  
 2 in my group or anybody outside of compliance, to my  
 3 understanding, had the ability to clear those.

4   Q And a transaction where Dondero and  
 5 Ellington owned 100 percent of the interests in an  
 6 entity receiving assets, that would have had to be  
 7 flagged in this OMS system, to be clear?

8   A Well, that would have been dependent on if  
 9 at the time it went through the OMS Sentinel was known  
 10 to be an affiliate and someone had already flagged it  
 11 as an affiliate. If no one had flagged it at the  
 12 time, it would have just moved through the normal way.

13   Q And would you have had any reason to know if  
 14 a transaction was flagged to be a related party  
 15 transaction, would that have been --

16   A It wouldn't have necessarily been a big  
 17 flashing light on my screen, but presumably it would  
 18 have impacted Carter's team, settlement, and maybe  
 19 Carter would have mentioned it to me. But if it got  
 20 cleared very quickly, meaning someone from compliance  
 21 cleared it -- in other words, it would have only come  
 22 up in the context of if we weren't able to settle any  
 23 of the transactions we were trying to. Carter likely  
 24 would have come to me and said, hey, we're sitting on  
 25 our hands because we're waiting for compliance;

1 apparently, this is an affiliate, and we're waiting  
 2 for compliance to clear it or instruct otherwise.  
 3 I don't recall any of that happening.

4   Q And that could be because compliance cleared  
 5 it very quickly and there was no reason for you to  
 6 know?

7   A Or it wasn't flagged as an affiliate at the  
 8 time the transaction went through, or, I mean, there's  
 9 a presumption on my part that someone entered it in  
 10 the OMS. The first step in this would be let's nail  
 11 down was it entered in the OMS. I just -- I simply  
 12 don't recall.

13   Trades were entered in the OMS outside of my  
 14 group. They would have been entered by the front  
 15 office, the PM, somebody, and then that's how they hit  
 16 our screens.

17   But just to reiterate, if it wasn't in the  
 18 OMS, clearly it wouldn't have tripped a flag, or if  
 19 the counterparty, Sentinel, hadn't been flagged as an  
 20 affiliate, it wouldn't have tripped it, and it would  
 21 have just sailed through, or someone could have  
 22 cleared it very quickly and it sailed through.

23   Q Okay. And only compliance could have  
 24 cleared it you said?

25   A That's my understanding, that's right.

1   That's right.

2           MS. McLAUGHLIN: We'll take a look at  
 3 Exhibit 6, please.  
 4           (Deposition Exhibit 6, Email chain August  
 5 11, 2017, HCMUBS000642 through 644, marked for  
 6 identification.)

7   Q Mr. Stoops, are you aware of any assets that  
 8 were transferred to Sentinel other than the ones we've  
 9 been looking at on Schedule A of the purchase  
 10 agreement?

11   A I'm -- it's two -- it seems potentially two  
 12 different questions, so I'm trying to make sure I  
 13 answer both. I'm not aware of any other assets on  
 14 that Schedule A, but I can't -- I don't know for sure  
 15 which one of these these pertain to. I'd have to  
 16 cross-index it. But I don't know specifically which  
 17 ones these pertain to.

18   Q What do you mean by these ones?

19   A Whatever you're showing me -- you're showing  
 20 me a DTC or you're showing me application account  
 21 which needed to transfer the shares. It appears to be  
 22 setting up a DST account for some assets and I just --  
 23 I don't know which assets.

24   Q Aside from this document, ignoring the  
 25 Exhibit 6 on the screen --

1   A Okay.

2   Q -- aside from anything in Exhibit 6, are you  
 3 just generally aware of any assets that were  
 4 transferred to Sentinel other than those listed on  
 5 Schedule A?

6   A No, no. It was my understanding that that  
 7 was to be the full list, that that was it.

8   Q And could there have been other assets that  
 9 were transferred that you were unaware of at the time?

10   A Sure. I guess, yeah. I guess so.

11   Q Now looking at the screen -- I apologize I  
 12 put it up too soon, but here on the screen we've got  
 13 Exhibit 6, which is an email chain dated August 11th,  
 14 2017 from Samantha Bennetzen. Do you see Exhibit 6?

15   A I do see Exhibit 6.

16   Q And you were not on this email, so you may  
 17 very well not be aware of this email or what's  
 18 included. But just to look at some of the content,  
 19 we're looking at this top email where it lists an  
 20 application for the NRESF account. Do you know what  
 21 the "NRESF account" would mean?

22   A So it appears they're looking to -- if it's  
 23 DST, I think DST was where we maintained our closed-in  
 24 fund shares, and it appears someone is asking to set  
 25 up a new account for the NexPoint Real Estate

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 1 **Strategies Fund to transfer those shares into it once**  
 2 **this new application has been set up. But it isn't --**  
 3 **it isn't apparent in whose name this new account**  
 4 **should be transferred, you know, the beneficiary**  
 5 **account name.**

6 Q Okay. If we scroll down the document.  
 7 Thank you.

8 Just for context, this chain started on  
 9 August 11th. And we'll go up a little bit higher.  
 10 That's good, thank you.

11 Here Katie Irving writes to Brian Fuentes,  
 12 and she is talking about "appreciate your assistance  
 13 in getting Sentinel set up with DST account to take  
 14 transfer of CDO Fund NRSZX shares." Do you see that,  
 15 that sentence?

16 A Yes.

17 Q And in response to Katie -- if we can scroll  
 18 slightly up -- in response to Katie, Katie then sends  
 19 a follow-up, "as discussed, wiring instructions for  
 20 cash distributions are below."

21 A Um-hmm.

22 Q And lists a Sentinel Reinsurance Limited  
 23 account. Do you see that?

24 A I do.

25 Q Is it possible that this is the account

75  
 1 it NRES, is that how you pronounce it?  
 2 A That's how we refer to it, sure, NRES.

3 Q The NexPoint Real Estate Strat - Z --

4 A Yes.

5 Q -- NRES asset that is listed on Schedule A,  
 6 what entity is that asset listed under?

7 A **Highland CDO Opportunity Master Fund.**

8 Q On Exhibit 6, though, this email is  
 9 discussing transferring shares from Highland CDO  
 10 Opportunity Fund Limited. That would be a different  
 11 entity, correct?

12 A I -- I -- I can't say for sure. To me I  
 13 think this is just typed incorrectly. But I guess,  
 14 yeah, presumably it could be a different one.

15 Q Because on Schedule A there are no shares or  
 16 securities listed under Highland CDO Opportunity Fund  
 17 Limited. Is that right?

18 A That's right. That's right.

19 MS. McLAUGHLIN: Okay. We can take Exhibit  
 20 6 down, please.

21 And, Mr. Stoops, unless you're really hoping  
 22 to stay on the record a little bit longer, we propose  
 23 that we just take a short break so that we can go  
 24 through some notes and come back and conclude  
 25 afterwards. So does five minutes work?

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 1 she's still talking about or that's still being  
 2 discussed at the top of this email chain?

3 A Yes.

4 Q And can we go back to the top of the email  
 5 chain. Based on the rest of this document, does it  
 6 look like these shares that are being transferred are  
 7 being sent to Sentinel? Is that a fair conclusion?

8 A It's a fair conclusion.

9 Q And we have account number and then a bunch  
 10 of numbers listed for Highland CDO Opportunity Fund  
 11 Limited. Do you see on Schedule A of the purchase  
 12 agreement any shares transferred from Highland CDO  
 13 Opportunity Fund Limited?

14 A Yeah, it says **NexPoint C Com.**

15 Q That's for Highland CDO Opportunity Fund  
 16 Limited?

17 A Right, right, right. At the top, but I'm  
 18 looking at the share names, the description. Yes, I  
 19 see **Highland CDO Opportunity Fund at the top, but I'm**  
 20 **now trying to match it up with the shares they might**  
 21 **have been trying to transfer, and all I see**  
 22 **potentially one -- no. Here. Yes. Okay. No, here**  
 23 **it is. Yes. Okay, I see it. NRES, sure, NRESZ,**  
 24 **sure, it's on here.**

25 Q And where you're looking on Schedule A, is

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 1 THE WITNESS: Fine with me.

2 THE VIDEOGRAPHER: We are going off the  
 3 record. The time is 12 o'clock p.m.

4 (Recess 12:00 p.m. - 12:18 p.m.)

5 THE VIDEOGRAPHER: We are back on the  
 6 record. The time is 12:18 p.m.

7 BY MS. McLAUGHLIN:

8 Q Mr. Stoops, I think earlier today you were  
 9 saying how you were not aware in August 2017 whether  
 10 Sentinel was an affiliated entity with Highland  
 11 Capital. Is that correct?

12 A Yes.

13 MS. McLAUGHLIN: If we could, please, put up  
 14 a new exhibit. I believe it's marked as Exhibit 7.

15 (Deposition Exhibit 7, Email chain December  
 16 1, 2017, marked for identification.)

17 Q Yes. Exhibit 7 is an email chain with the  
 18 top email dated December 1st, 2017 from Scott  
 19 Ellington. Do you see Exhibit 7 on your screen,  
 20 Mr. Stoops?

21 A Yes, I do.

22 Q And we can scroll down a little bit.

23 You're not on the first or second email, but  
 24 you are on the third email on this page from Taylor  
 25 Colbert.

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1 Can we scroll back up, please. Right there  
2 is good. Thank you.

3 Mr. Stoops, what role did Taylor Colbert  
4 have, if you know?

5 **A So Taylor was a financial analyst, financial  
6 fund accountant, same thing, just under different  
7 reference, but same thing, a fund accountant who  
8 reported directly to David Willmore, who reported  
9 directly to me. And in his capacity he handled the  
10 sort of monthly financial reporting obligations for  
11 certain hedge funds.**

12 Q And the subject of this email was a Multi  
13 Strat Cash Projection, correct?

14 **A Yes.**

15 Q And Taylor writes here, "As discussed,  
16 please see the updated file with Sentinel being  
17 presented as an affiliated investor." Did I read that  
18 right?

19 **A Yes, you did.**

20 Q And you understand Taylor to be saying  
21 Sentinel and Multi Strat were affiliates. Is that  
22 correct?

23 **A Yes, that appears what he's saying here.**

24 Q And do you have any understanding as to why  
25 Taylor was updating the file?

1 describes to you in August 2017, all the assets from  
2 HFP and its subsidiaries were transferred to Sentinel  
3 regardless which entity they were held at. Is that  
4 right?

5 **A Yes, that's my recollection, yes.**

6 Q And so is the same thing true for CDO Funds  
7 affiliates as well, assets were transferred from CDO  
8 Fund -- the CDO Fund family regardless of which entity  
9 they were held at?

10 **A Yes, that's my recollection, that -- it's my  
11 recollection those were the instructions, yes, and the  
12 intent.**

13 Q And we mentioned a few times the UBS  
14 litigation that's been ongoing since about 2019. I  
15 believe you -- excuse me. I'll restart.

16 Were you aware throughout the UBS litigation  
17 that UBS had been making information requests to  
18 Highland for financial information of HFP and its  
19 subsidiaries?

20 **A So, forgive me, but just to be clear, I  
21 think you said ongoing since 2019. I'm thinking you  
22 meant 2009, agreed?**

23 Q Agreed.

24 **A Okay. Okay.**

25 Q Since 2009 --

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1 **A I don't specifically recall. I can sort of  
2 guess by the flow of the email, but I don't  
3 specifically recall.**

4 Q And after this update, Sentinel was listed  
5 in the cash projection as an affiliated investor,  
6 correct?

7 **A Yes.**

8 MS. McLAUGHLIN: We can take Exhibit 7 down,  
9 please.

10 Q Just a few more questions about the  
11 conversation you had with Mr. Sevilla back in August  
12 2017. After your initial conversation, did you have  
13 any follow-up discussions with Mr. Sevilla about what  
14 he was asking you to do?

15 **A I don't recall anything specific. But I do  
16 know there were follow-up conversations, and it was  
17 probably more about updates or clarification.**

18 Q Updates --

19 **A For example -- for example, in one of my  
20 emails we brought up as an exhibit earlier, I said  
21 we're still waiting on delivery instructions for  
22 physicals. So it would have been something along  
23 those lines, we need to anticipate getting those to  
24 us, or something along those lines.**

25 Q And under the transaction that Mr. Sevilla

1 (Simultaneously speaking.)  
2 **A Yes, yes, yes.**  
3 Q -- since 2009 --  
4 **A Sure.**  
5 Q -- have you been aware of financial  
6 information requests from UBS?  
7 **A Yes. There were from time to time requests  
8 for certain documents from UBS related to that matter.**  
9 Q And were you ever entrusted with the  
10 responsibility of responding to those requests?  
11 **A As in sending them to UBS?**  
12 Q Collecting them or sending them. Just at  
13 Highland, was it part of your role to have  
14 responsibility for --  
15 **A It sort of varied. From time to time I  
16 might get involved, but then in others not at all. It  
17 just sort of really varied on what the legal team had  
18 available to it at the time. So it sort of --**  
19 Q And your --  
20 **A Go ahead.**  
21 Q Oh. And your responsibilities with UBS's  
22 document requests were limited to helping the legal  
23 team find certain documents. Is that correct?  
24 **A Generally, yes. Yes.**  
25 Q You were not the person responsible for

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|--|---|
| <p>81</p> <p>1 final collection or production of any documents to<br/>2 UBS. Is that correct?</p> <p>3 <b>A No. I would have turned everything over to<br/>4 our legal team.</b></p> <p>5 Q And do you also recall that Isaac Leventon<br/>6 was the person on the legal team that had the ultimate<br/>7 responsibility for productions at that time?</p> <p>8 <b>A That was my understanding, yes.</b></p> <p>9 Q All right. Mr. Stoops, we have, I think,<br/>10 four questions here or five questions here left for<br/>11 you.</p> <p>12 You're testifying today pursuant to a<br/>13 subpoena. Is that correct?</p> <p>14 <b>A Yes.</b></p> <p>15 Q Would you have shown up without a subpoena?</p> <p>16 <b>A I don't know. I hadn't thought about it. I<br/>17 couldn't say for sure.</b></p> <p>18 Q And you're represented by counsel today,<br/>19 right?</p> <p>20 <b>A Yes.</b></p> <p>21 Q Who is paying for your counsel?</p> <p>22 <b>A Me.</b></p> <p>23 Q Did anyone else offer to pay or reimburse<br/>24 your legal fees?</p> <p>25 <b>A No.</b></p> | <p>83</p> <p>1 CERTIFICATE</p> <p>2</p> <p>3 I, MONIQUE VOUTHOURIS, a Notary Public and<br/>4 Certified Court Reporter of the State of New Jersey,<br/>5 License No. X100834, do hereby certify that prior to<br/>6 the commencement of the examination CLIFFORD E.<br/>7 STOOPS, II, was duly sworn by me to testify the truth,<br/>8 the whole truth, and nothing but the truth.</p> <p>9</p> <p>10 I DO FURTHER CERTIFY that the foregoing is a true<br/>11 and accurate transcript of the testimony as taken<br/>12 stenographically by and before me at the time, place,<br/>13 and on the date hereinbefore set forth.</p> <p>14</p> <p>15 I DO FURTHER CERTIFY that I am neither a relative<br/>16 nor employee nor attorney nor counsel of any of the<br/>17 parties to this action, and that I am neither a<br/>18 relative nor employee of such attorney or counsel, and<br/>19 that I am not financially interested in the action.</p> <p>20 <i>Monique Vouthouris</i> </p> <p>21 _____</p> <p>22 Notary Public of the State of New Jersey</p> <p>23 My Commission expires April 8, 2024</p> <p>24</p> <p>25 Dated: May 5, 2021</p> |
| <p>82</p> <p>1 Q You also received a subpoena to produce<br/>2 documents, right?</p> <p>3 <b>A Yes. Yes.</b></p> <p>4 Q And you don't have any documents to produce<br/>5 to UBS in response to that subpoena?</p> <p>6 <b>A Based on my search, no, I don't believe I<br/>7 do.</b></p> <p>8 Q And you conducted a search?</p> <p>9 <b>A I did.</b></p> <p>10 MR. McLAUGHLIN: Well, with that,<br/>11 Mr. Stoops, thank you very much. We appreciate your<br/>12 time, and that's all we have today.</p> <p>13 THE WITNESS: Thank you very much.</p> <p>14 MR. THORNTON: Thank you.</p> <p>15 MS. McLAUGHLIN: Bob, you didn't have<br/>16 questions, did you?</p> <p>17 MR. THORNTON: No, no questions.</p> <p>18 MS. McLAUGHLIN: I believe we can go off the<br/>19 record, then.</p> <p>20 THE VIDEOGRAPHER: We are going off the<br/>21 record. The time is 12:27 p.m.</p> <p>22 (Time noted: 12:27 p.m.)</p> <p>23</p> <p>24 ****</p> <p>25</p>   |   |